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No. 01-852

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In The

Supreme Court of the United States

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Petitioners,

v.

STATE CONTRACTING & ENGINEERING CORPORATION and STATE PAVING CORPORATION,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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071 JOB 11111IN3-000-02 PAGE-001 BRANNOCK
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QUESTION PRESENTED

WHETHER A GRANT OF ALL RIGHTS TO FULLY UTILIZE AN INVENTION IS SUFFICIENT TO CONVEY A PATENT LICENSE, OR DOES FEDERAL LAW REQUIRE A SPECIFIC REFERENCE TO THE PATENT TO CONVEY A LICENSE?

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INTERESTED PARTIES

The following persons and entities have or may have an interest in the outcome of this case:

Balfour Beatty Construction, Inc.

Community Asphalt Corporation

Florida Department of Transportation

The Hardaway Company

Hubbard Construction Company

The Murphy Construction Company

Hanson Pipe & Products, Inc. (formerly Joelson Concrete Pipe Co., Inc.)

Recchi America, Inc.

State of Florida

STATEMENT OF PARENT, SUBSIDIARY AND AFFILIATE CORPORATIONS

Pursuant to Supreme Court Rule 29.6, the Petitioners have no publicly held parent, subsidiary, or affiliated corporations.

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OPINIONS BELOW

Petitioners seek review of the decision of the Federal Circuit Court of Appeals, *State Contracting & Engineering Corp. v. Florida Department of Transportation*, 258 F.3d 1329 (Fed. Cir. 2001) (App. 1). That decision reverses a decision of the United States District Court for the Southern District of Florida issued on March 2, 2000. The District Court's decision, which is not reported, appears in the Appendix at App. 22.

BASIS FOR JURISDICTION

Pursuant to 28 U.S.C. § 1254(1), Petitioners, State of Florida, Florida Department of Transportation, Recchi America, Inc., The Murphy Construction Company, The Hardaway Company, Hubbard Construction Company, Balfour Beatty Construction, Inc., Community Asphalt Corporation, and Joelson Concrete Pipe Company, Inc., (collectively "FDOT"), file this Petition for Writ of Certiorari to the Federal Circuit Court of Appeals seeking review of the Court's July 20, 2001 decision reversing the District Court's grant of summary judgment to the FDOT on the patent infringement claims brought by the Respondents, State Contracting & Engineering Corporation and State Paving Corporation (collectively "State Paving") (App. 1). FDOT's timely petition for rehearing was denied on September 6, 2001 (App. 48) and the Federal Circuit's Mandate issued on September 13, 2001 (App. 47).

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RELEVANT STATUTES AND RULES

> *Unlimited rights* means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

48 C.F.R. § 252.227-7013(a)(15).

INTRODUCTION

Does the grant of all rights to fully utilize data also convey a patent license? Based on a misinterpretation of this Court's precedent, the Federal Circuit answered this question in the negative holding that, absent a specific reference to the patent, a conveyance of all rights grants only a license to utilize trade secrets and know-how but not a corresponding patent license. The Federal Circuit's decision, which exposes the Florida Department of Transportation to a sixty-five million dollar patent infringement claim, conflicts with long-settled law in this and other courts, holding that patent licensing is a matter of state contract law and that federal law does not require any "magic words" to convey a patent license.

The Federal Circuit's error has significance well beyond the parties to this case. The contractual language under which State Paving was required to convey to the FDOT all rights to fully utilize data is taken directly from a federal acquisition regulation governing the grant to the United States of unlimited rights to intellectual property developed during the performance of government contracts. 48 C.F.R. § 252.227-7013(a)(15). Language taken

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from this regulation is commonly used in state and federal government contracts to permit the government to acquire rights to intellectual property on government projects. To hold that the grant of all rights to fully utilize data does not include a patent license could expose these state and federal contracting authorities to potentially staggering liability on future patent infringement claims.

This Court should grant certiorari to correct the conflict created by the Federal Circuit's decision below, and to eliminate the potential liability for patent infringement that will ultimately be borne by the nation's taxpayers.

STATEMENT OF THE CASE AND FACTS

State Paving and FDOT entered into a construction contract providing for the construction of sound barriers along Interstate 95. During the course of the contract, State Paving submitted a Value Engineering Change Proposal ("VECP") suggesting a new cost saving design for the sound barriers. The contract between the parties entitled State Paving to fifty percent of the savings associated with any VECP submitted to and accepted by the FDOT (FDOT Contract Standard Specifications at Sections 4-3.5.5 through 4-3.5.7).

FDOT accepted the VECP. State Paving's VECP saved the project at issue a total of $514,306 in construction costs. FDOT paid State Paving the agreed fifty percent savings contemplated by the contract.

In return for participating in the VECP process and for the payment it received from the FDOT, State Paving

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granted to the FDOT all rights to fully utilize its proposal on the I-95 project and any other FDOT contract. The relevant provision in FDOT's standard specifications provides:

> In the event of acceptance of a VECP, the contractor hereby grants to the department *all rights* to use, duplicate or disclose, in whole or in part, in any manner and for any purpose whatsoever, and to have or to *permit others to do so* data reasonably necessary to *fully utilize such proposal on this and any other department contract.*

VECP Section 4-3.5.8 (emphasis supplied).

Contemporaneously with the submittal of the VECP, but unknown to FDOT, State Paving had filed a patent application concerning the invention that was the subject of the VECP proposal. State Paving did not notify the FDOT of its patent application filing during the VECP approval process. The application eventually matured into two United States patents that encompass the manufacture and installation of sound barriers in accordance with the VECP data.

FDOT immediately began using data from the VECP proposal on subsequent road projects. State Paving knew about these subsequent uses but kept silent until September 1992, when it sent a letter to potential bidders advising them of the pending patent application and seeking a patent royalty. Attempts to resolve the matter by negotiation failed and State Paving brought the present lawsuit against the State of Florida and seven private contractors in the United States District Court for the Southern District of Florida alleging patent infringement.

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The District Court granted summary judgment in favor of the FDOT and the private contractors who had utilized the VECP invention in subsequent contracts. The District Court held that the VECP provisions of the contract were unambiguous and that the conveyance of all rights to fully utilize the proposal on this and future FDOT contracts included a patent license that shielded FDOT and the contractor defendants from liability for patent infringement.[1] The Federal Circuit reversed. Despite the parties' use of the all-encompassing phrase "all rights . . . to fully utilize" the proposal, the court held that the contract "did not explicitly convey any patent rights." *State Contracting*, 238 F.3d at 1340. In reaching its conclusion, the Federal Circuit relied heavily on two decisions in which this Court held that state common law protection of know-how and trade secrets exists independently of patent protection. *See Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). The court gleaned from these cases that a transfer of all rights could convey only state trade secret and know-how rights and that the FDOT could shield itself from patent infringement liability only by a specific reference to patents.

This petition for certiorari followed.

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[1] The case also presented interesting sovereign immunity issues concerning State Paving's suit against the FDOT which are not at issue in this petition for certiorari.

Basis For Jurisdiction Below

The District Court had jurisdiction pursuant to 28 U.S.C. § 1338(a). The Federal Circuit had jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

WHY THE WRIT SHOULD BE GRANTED

The Federal Circuit's decision that the conveyance of all rights to fully utilize data does not include a patent license is an erroneous intrusion of federal common law into matters of state contract enforcement and should be reviewed by this Court. By misapplying *Aronson* and *Kewanee*, the Federal Circuit has improperly created unjustified federal limitations on state contract rights. This decision conflicts with decisions of many other federal courts holding that no particular language is required to convey or imply a patent license.

The decision below is of grave importance to state and federal government contracting, even beyond the sixty-five million dollars at stake in this case. The language improperly narrowed by the Federal Circuit comes directly from a federal regulation and is commonly used by Florida and other states in agreements relating to Value Engineering Change Proposals. The Federal Circuit's decision could expose the federal government and many states to unexpected, unjustified, and potentially enormous claims for patent infringement.

The Federal Circuit's Decision Improperly Imposes Federal Limits on State Contract Law.

A patent license is merely a promise not to sue for patent infringement. *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1577 (Fed. Cir. 1997). Whether a patent holder has granted a patent license is an issue of state contract law. *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920 (Fed. Cir. 1995) (whether express or implied, a patent license is a contract "governed by ordinary principles of state contract law.").

State contract enforcement of patent rights, however, is not without limits. For example, this Court has rejected claims that states can permit parties to contractually extend patent royalty payments beyond the patent monopoly conferred by federal statute. *Brulotte v. Thys Co.*, 379 U.S. 29 (1964). As a result, the intersection between state contract rights over intellectual property and federal patent law is not always clear and has been the subject of several important decisions by this Court. *See, e.g., Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 266 (1979) (enforcing a royalty agreement under state contract law despite the failure to obtain a patent); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974) (patent law does not preempt state law protection of trade secrets); *Brulotte*, 379 U.S. at 33-34 (state contract law cannot extend the statutory patent monopoly).

In this case, the Federal Circuit struggled with the boundaries of state contract law and federal patent law, ultimately misapplying *Aronson* and *Kewanee* in a way that substantially expands federal limits on state contract law. The Federal Circuit correctly began its analysis by

recognizing that whether State Paving had extended a patent license to FDOT was purely a matter of state contract law. *State Contracting*, 258 F.3d at 1339. Thus, the question should have been whether a contract that grants to the FDOT "*all rights* to use, duplicate or disclose" data and to "fully utilize such proposal on this and any other department contract" was sufficient to protect the FDOT from a suit for patent infringement based on State Paving's subsequently obtained patent under Florida law.

The Federal Circuit then went astray. Citing to *Aronson* and *Kewanee*, the Federal Circuit held that the agreement did not convey a patent license because of the contract's failure to explicitly include the word "patent" in the contract. The Federal Circuit, however, cited no Florida authority supporting its conclusion that "all rights" is not broad enough to include patent rights. Indeed, there is no such authority. Florida law requires courts to give words their ordinary meaning. Put simply, in Florida "all" or "every" does not mean some or a few. *See, e.g., Rupp Hotel Operating Co. v. Donn*, 29 So.2d 441, 445 (Fla. 1947) (courts should give words used in a contract their natural and ordinary meaning). Ignoring Florida law, the Federal Circuit instead found a requirement that the contract explicitly mention patent rights in this Court's *Aronson* and *Kewanee* decisions.[2] In those cases,

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[2] According to the Federal Circuit:

> Although we apply Florida law in construing the contract, it is significant that the Supreme Court has recognized that patent rights and trade secret rights are quite distinct, and that a contract may provide for different treatment of the two.

State Contracting, 258 F.3d at 1339.

this Court held that patent rights and trade secret rights are distinct and that a contract may provide for different treatment of the two. From this Court's conclusion that patent and trade secrets are distinct, the Federal Circuit reasoned that contracting parties under state law must include a specific reference to patent rights to convey a patent license.

The irony in this conclusion is obvious. In *Aronson* and *Kewanee*, this Court was reaffirming that state contract law has an important role in the protection of intellectual property rights. But the fact that such rights may be separately distinct and enforceable does not impose a federal requirement that particular words be used to convey such rights. The law is to the contrary. As this Court long ago noted, the conveyance of a patent license does not require any magic language:

> No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license, and a defense to an action for a tort.

De Forest Radio Tel. & Tel. Co. v. United States, 273 U.S. 236, 241 (1927).

The Federal Circuit's decision is also in conflict with other federal cases implying the existence of a patent license under circumstances very similar to this case. For example, in *Amp, Inc. v. United States*, 389 F.2d 448 (Ct. Cl. 1968), the plaintiff licensed the government to use and manufacture a wire-splicing tool. The plaintiff later

acquired a patent that dominated the patent under which the government was licensed. The plaintiff then sued for patent infringement based on the after-acquired patent. The Court of Claims rejected the claim for patent infringement holding that the government had an implied license. The plaintiff could not license the government to use and manufacture the wire-splicing technology and then sue for patent infringement. In *Wang Laboratories, Inc. v. Mitsubishi Elec. Am., Inc.*, 103 F.3d 1571 (Fed. Cir. 1997), the court held that Wang had granted an implied license because Wang had encouraged Mitsubishi to manufacture Wang's patented product. A patent license was implied based entirely on Wang's conduct.[3]

Likewise in *Cardiovascular Diagnostics, Inc. v. Boehringer Mannheim Corp.*, 985 F. Supp. 615 (E.D.N.C. 1997), the plaintiff granted defendant a license to use certain technology. The license made no specific mention of patent rights.[4] Plaintiff then acquired patents covering the same technology from others and brought suit against the defendant for infringing these after-acquired patents. The court held that plaintiff's granting of the defendant the rights to use certain technology also granted an

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[3] Implied patent licenses are an everyday fact of life. When a consumer purchases a car, for example, the consumer obtains an implied license to use all the patented technology in the car whether presently existing or after-acquired. It would be inconsistent with the sale of the car to require the consumer to pay additional patent royalties to use or sell the car.

[4] Defendant was granted the right to use this technology with "no limitation on the manufacture, use, sale or rights of others to manufacture, use or sell" the product. *Cardiovascular*, 985 F. Supp. at 617.

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implied license preventing suit for infringement under the after-acquired patents. The conveyance of the right to "use this technology with no limitation on the manufacture, use, sale or rights of others to manufacture, use, or sell the product" was broad enough to confer a patent license even though the agreement said nothing about patent rights. The court's reasoning was clear: the plaintiff cannot "take away with its left hand that which it had promised to deliver with its right." *Id.* at 625.[5]

The Federal Circuit, in conflict with these decisions, permits State Paving to sue for infringement despite the existence of an express or implied license. In return for a substantial payment, State Paving granted a license to the FDOT to "fully utilize" State Paving's Value Engineering Change Proposal on "this and any other department contract." State Paving concedes that this language was broad enough to convey its state law trade secret and know-how rights.[6] Thus, were it not for the existence of the after-acquired patent, there would be no question concerning the FDOT's right to utilize the VECP proposal on its other projects around the state. In other words, just like the plaintiffs in *Cardiovascular* and *Amp*, State Paving

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[5] *See also Brown v. Ocean Drilling & Exploration Co.*, 374 A.2d 842, 846 (Del. Ch. 1977) (noting "the mere failure of an agreement to include the word patent does not mean that such an agreement is not a patent license."); *C.f., Schiller & Schmidt, Inc. v. Nordisco Corp.*, 969 F.2d 410, 413 (7th Cir. 1992) (holding that the sale of all assets of photo studio includes sale of copyrights even in the absence of a particular reference to copyrights).

[6] State Paving describes the agreement in its briefs below as a "know-how agreement." Reply Brief at 3.

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suggests that, having conveyed all of these rights, it could then acquire a patent concerning these same rights and successfully sue for infringement of an after-acquired patent.

This is far too narrow a view of what was conveyed. The FDOT did not bargain for a useless abstract right to use the data only if it paid substantial royalties to State Paving. It bargained for the right to fully utilize the proposal on this and any other department contract in return for the substantial payment to State Paving for its proposal. This right to use the proposal necessarily carried with it all intellectual property rights except those specifically reserved by State Paving. Had State Paving wished to reserve its right to patent royalties, it should have included such a reservation in the contract.

Thus, had the Federal Circuit applied traditional Florida principles of contract construction "all rights" would have been interpreted very simply as all rights – not all rights except patent rights. The Federal Circuit's decision that there is a federal requirement that particular words be utilized to convey a patent license is an erroneous and unwarranted intrusion into state contract law. This Court should grant certiorari to review the Federal Court's erroneous survey of the boundary between federal and state protection of intellectual property rights.

The Issue Presented is of Exceptional Importance

The issue presented is obviously of exceptional importance to the parties. State Paving claims sixty-five million dollars in damages from the State of Florida based on its claim for infringement of the after-acquired

patent. The importance to Florida's taxpayers, however, goes beyond the boundaries of this case. The VECP contract provisions at issue in this case are part of FDOT's standard contract specifications. *State Contracting*, 258 F.3d at 1339. Thus, FDOT may face similar suits relating to other VECP proposals on other state contracts as a result of the Federal Circuit's narrow interpretation of the rights granted under the contract.

Nor is the problem restricted to Florida. The language in FDOT's standard specifications is based largely on standard federal government procurement regulations concerning the federal government's right to utilize data and specifications developed by contractors performing government projects. Under these regulations, the government's right to such information may be either unlimited or limited. Unlimited rights are defined in these regulations as "rights to use, duplicate, or disclose technical data or computer software in whole or in part, in any manner and for any purpose whatsoever, and to have or permit others to do so." *See* 48 C.F.R. § 252.227-7013(a)(15).

The courts have interpreted this language to be sufficient to transfer any property interest owned by the contractor. *See Ofria v. Commissioner of Internal Revenue*, 77 T.C. 524, 538 (1981) (finding that "this language is clearly sufficient to transfer any property interest [petitioners] had in the technical data"); *Rockwell Int'l Corp. v. United States*, 31 Fed. Cl. 70, 80 (1994) (finding that "unlimited rights in data would permit the government to do essentially anything it wanted with the information including dissemination of it to third parties, use for reproduction, etc.").

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Thus, in reliance on these broad interpretations of unlimited data rights, contract provisions modeled on these regulations commonly appear in government contracts, such as the FDOT contract at issue here. *See Ofria*, 77 T.C. at 527-28; *Rockwell Int'l*, 31 Fed. Cl. at 72; *Appeal of Bell Helicopter Textron*, 1985 WL 17050, *31-32, 85-3 B.C.A. ¶ 18,414 (A.S.B.C.A. 1985); *Joanell Lab., Inc. v. United States*, 1979 WL 16468, *9-10 (Ct. Cl. 1979).

If the Federal Circuit decision is allowed to stand, unlimited data rights will no longer mean unlimited rights absent a separate and specific reference to patents. Similarly, a state contract conveying all rights will no longer convey all rights. Whether federal law limits the definition of all rights by requiring specific reference to the patent to convey a patent license is an important question with enormous ramifications in state and federal government contracting. This Court should grant certiorari to review the decision of the Federal Circuit and to address the important issue presented.

CONCLUSION

This Court should grant certiorari to review the Federal Circuit's determination that the contract conveying all rights conveys only the right to use state protected know-how and trade secrets but does not convey a patent license. The Federal Circuit's decision is an unwarranted and erroneous intrusion into patent licensing which is primarily governed by state law. Granting certiorari will permit this Court to resolve the conflict created by the Federal Circuit's opinion and to eliminate the exposure of

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state and federal authorities to potentially staggering claims of patent infringement based on the erroneous decision below.

Respectfully submitted,

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App. 1

United States Court of Appeals,
Federal Circuit.

STATE CONTRACTING & ENGINEERING CORPORATION and State Paving Corporation, Plaintiffs-appellants,
v.
State of FLORIDA, Florida Department of Transporation, Recchi America, Inc., The Murphy Construction Company, The Hardaway Company, Hubbard Construction Company, Balfour Beatty Construction, Inc., Community Asphalt Corporation, and Joelson Concrete Pipe Company, Inc., Defendants-Appellees.

No. 00-1434.

July 20, 2001.
Rehearing and Rehearing En Banc Denied Sept. 6, 2001.

Richard S. Ross, of Ft. Lauderdale, FL, argued for plaintiffs-appellants.

Stefan V. Stein, Holland & Knight LLP, of Tampa, FL, argued for defendants-appellees. Of counsel was Harvey S. Kauget.

Before RADER, GAJARSA, and DYK, Circuit Judges.

DYK, Circuit Judge.

State Contracting & Engineering Corporation ("State Contracting") and State Paving Corporation ("State Paving") (collectively "plaintiffs") appeal the decision of the United States District Court for the Southern District of Florida granting summary judgment in favor of the defendants. *State Contracting & Eng'g Corp. v. Florida*, No. 97-7014-CIV-DIMITROULEAS (S.D.Fla. Mar. 2, 2000)

("*Final Order*"). We affirm the district court's grant of summary judgment to the State of Florida as to the patent infringement and Lanham Act claims (counts I, II, IV) on grounds of sovereign immunity. We also affirm the district court's grant of summary judgment to the State of Florida as to the takings claim (count V) and the breach of contract claim (count VI). However, we hold that the district court erred in granting summary judgment to the private contractors on the patent infringement claims (counts III and VII), and therefore we vacate and remand as to these claims. Accordingly, we affirm in part, vacate in part, and remand.

BACKGROUND

In 1989, State Paving Corporation, a highway construction company, successfully bid on a State of Florida Department of Transportation ("FDOT" or "State of Florida") project for construction of sound barrier walls. The original agreement was reduced to writing and expressly incorporated the FDOT Standard Specifications for Road and Bridge Construction ("Standard Specifications"). During the course of the construction, State Paving submitted a Value Engineering Change Proposal ("VECP") proposing to use a new design for sound walls that would reduce costs. The new sound wall design described in the VECP allegedly included the use of a post (column) positioned in a cement-filled pile using a new method devised by State Paving which was particularly suitable for use in sandy soil. FDOT accepted the VECP on July 5, 1990, agreeing to change the specifications of the contract to include the use of the sound wall

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design described in the VECP. The "Supplemental Agreement" signed by the parties stated that the contract adjustment and sum agreed to "constitutes a full and complete settlement" and that State Paving "accepts the terms of this Supplemental Agreement as full compensation for all costs of equipment, manpower, materials, overhead, profit and delay damages and for all their costs, whether direct or indirect, or whether incurred now or in the future, related to the issues set forth in this Agreement." Pursuant to the contract and "Supplemental Agreement," the State of Florida paid State Paving fifty percent of the cost savings realized by the VECP.

On June 29, 1990, State Paving filed a patent application with the United States Patent and Trademark Office for a structure and method using the technology described in the VECP. The application matured into two U.S. patents: (1) Patent No. 5,234,288 (the " '288 patent"), issued on August 10, 1993, directed to an improved method of forming a post by inserting the post into a cement slurry pile which is particularly suitable for use in building structures in sandy soil; and (2) Patent No. 5,429,455 (the " '455 patent"), issued on July 4, 1995, directed to the structure of the post and cement pile.[1]

FDOT began using data from the VECP in subsequent requests for bids. State Paving learned about one of these instances in September 1992 and sent a letter to potential bidders, advising them of the pending patent application and seeking a patent royalty. State Paving

[1] State Paving assigned its rights under the patents to State Contracting.

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also sought additional payments under the contract for its use of the VECP data in other contracts to which State Paving was not a party.

The issues were not resolved by negotiation, and in August 1997 State Paving and State Contracting (collectively "State Contracting" or "plaintiffs") brought the present lawsuit against the State of Florida and seven private contractors in the United States District Court for the Southern District of Florida.

The plaintiffs filed a seven-count amended complaint on June 5, 1998, asserting the following claims: (1) direct patent infringement by the State of Florida of the '288 patent directed to the method of forming the improved post and cement pile (count I); (2) direct patent infringement by the State of Florida of the '455 patent directed to the structure of the improved post and cement pile (count II); (3) direct patent infringement by private highway construction contractors which worked for the State of Florida for infringement of both patents (count III); (4) violations of the Lanham Act by the State of Florida for its representation to potential bidders of construction projects that the specified method for sandy soil construction was "unpatented" (count IV); (5) unconstitutional taking by the State of Florida of plaintiffs' proprietary and patent rights in designs and specifications for the construction of sound barrier walls (count V); (6) breach of contract by the State of Florida for failure to compensate plaintiffs under the contract for use of plaintiff's proprietary technology on sound barrier construction projects after the original contract with plaintiffs (count VI); and (7) contributory patent infringement by Joelson Concrete Pipe Company based on its manufacture, use

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and sale of posts specially made as a component of the patented apparatus and method (count VII).

On June 22, 1998, the defendants answered the amended complaint as to all counts except for the Lanham Act claims, which the State of Florida moved to dismiss on grounds of sovereign immunity. In the answer, the defendants counterclaimed for a declaratory judgment of non-infringement and invalidity of the '288 and '455 patents. The district court denied the State of Florida's motion to dismiss the Lanham Act count. That decision was appealed to this court. We remanded the case to the district court to "consider all issues that may be before the court in the first instance" in light of the Supreme Court's decisions in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 119 S.Ct. 2199, 144 L.Ed.2d 575 (1999), and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666, 119 S.Ct. 2219, 144 L.Ed.2d 605 (1999).[2] *State Contracting & Eng'g Corp. v. Florida*, No. 99-1236, 1999 WL 717798 (Fed.Cir. Sept.2, 1999) (non-precedential order).

On remand, the parties filed cross motions for summary judgment. In the final order of March 2, 2000, the district court dismissed counts I, II, and IV (which stated claims against the State of Florida for patent infringement

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[2] Both cases involved a private party, College Savings Bank, and a state agency, Florida Prepaid Postsecondary Education Expense Board. The cases involve somewhat similar facts and were issued on the same day by the Supreme Court.

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and violation of the Lanham Act) on grounds of sovereign immunity. The court also granted summary judgment to the State of Florida on count V – the takings claims. The court granted summary judgment on count VI (seeking recovery against the State of Florida under the contract) against State Contracting on the ground that the contract had not been breached. Finally, the court granted summary judgment on counts III and VII (patent infringement) to the private contractors on the ground that the contract with the State created a license to practice the patent. The court failed to expressly address the defendants' counterclaims for a declaratory judgment of non-infringement and invalidity of the '288 and '455 patents in the March 2, 2000, final order. State Contracting appealed to this court.

DISCUSSION

I. *Standard of Review*

We follow the regional circuit's standard of review regarding issues not pertaining to patent law. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1346, 47 USPQ2d 1161, 1163 (Fed.Cir.1998), *rev'd on other grounds*, 527 U.S. 627, 119 S.Ct. 2199, 144 L.Ed.2d 575 (1999); *Molins PLC v. Quigg*, 837 F.2d 1064, 1066, 5 USPQ2d 1526, 1527 (Fed.Cir.1988). Under the law of the Eleventh Circuit, we review without deference a district court's ruling on the issue of sovereign immunity to suit. *Fla. Paraplegic Assoc., Inc. v. Miccosukee Tribe of Indians of Fla.*, 166 F.3d 1126, 1128 (11th Cir.1999); *Tinney v. Shores*, 77 F.3d 378, 383 (11th Cir.1996). We review a

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district court's grant of summary judgment without deference. *Ethicon Endo-Surgery, Inc. v. United States Surgical Corp.*, 149 F.3d 1309, 1315, 47 USPQ2d 1272, 1275 (Fed.Cir.1998).

II. *Jurisdiction/Finality of Judgment*

Before addressing the merits, we are obligated to consider the issue of our jurisdiction. *Bender v. Williamsport Area Sch. Dist.*, 475 U.S. 534, 541, 106 S.Ct. 1326, 89 L.Ed.2d 501 (1986) ("[E]very federal appellate court has a special obligation to satisfy itself . . . of its own jurisdiction.") (internal quotations and citations omitted); *see also Helfgott & Karas, P.C. v. Dickenson*, 209 F.3d 1328, 1333, 54 USPQ2d 1425, 1428 (Fed.Cir.2000). At the time the plaintiffs appealed to this Court, there remained pending in the district court the counterclaims directed toward non-infringement and patent invalidity. Since it appeared that there might be no appealable final judgment and no certification pursuant to Fed.R.Civ.P. 54(b), on June 7, 2001, we issued an order directing the parties to address the jurisdictional issue. The parties agreed that the judgment of the district court was not final because of the pending counterclaims and that no Rule 54(b) certification had been entered, but filed in the district court an "Emergency Motion/Request for Certification of Final Order of Summary Judgment for Defendants Pursuant to Rule 54(b)."

On June 20, 2001, the district court issued an order granting plaintiffs' request for a certification of final judgment, *State Contracting & Engineering Corp. v. Florida*, No. 97-7014-CIV-DIMITROULEAS (S.D. Fla. June 20,

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2001) (Order Amending Order of March 2, 2000 and Granting Motion For Certification), stating that "there is no just reason for delay of the appeal of the March 2, 2000 Order," *id.*, slip op. at 2, and that "the Court intended the March 2, 2000 Order to be final as to all of Plaintiffs' claims." *Id.* The district court also amended the March 2, 2000, order "to add numbered paragraph 12 on page 14, stating: 'Defendants' counterclaims in this case are hereby DISMISSED as moot, without prejudice, and may be reinstated in the event the Federal Circuit Court of Appeals reverses or remands this case back to this Court." *Id.* at 2-3. By separate order also dated June 20, 2001, the district court ordered that "summary final judgment is hereby entered, *nunc pro tunc* to March 2, 2000, on behalf of all Defendants as to all counts of Plaintiffs' amended complaint, and against the Plaintiffs, and Plaintiffs shall take nothing by this action." *State Contracting & Eng'g Corp. v. Florida*, No. 97-7014-CIV-DIMITROULEAS (S.D. Fla. June 20, 2001) (Final Summary Judgment).

Under these circumstances we conclude that we have jurisdiction because the district court's order constitutes a final judgment under Rule 54(b). *See* 10 Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2660 (3d ed.1998). We have established that in matters of our own jurisdiction, regional circuit law is not binding, and we are obligated to make an independent determination of our jurisdiction. *Woodard v. Sage Prods., Inc.*, 818 F.2d 841, 844, 2 USPQ2d 1649, 1651 (Fed.Cir.1987) (noting that "deference [to regional circuit law] is inappropriate on issues of our own appellate jurisdiction," and that "our decision to follow another circuit's interpretation of a common jurisdictional statute results from

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the persuasiveness of its analysis, not any binding effect"); *see also Slip Track Sys., Inc. v. Metal Lite, Inc.*, 159 F.3d 1337, 1339, 48 USPQ2d 1055, 1056 (Fed.Cir.1998); *Enercon Indus. Corp. v. Pillar Corp.*, 105 F.3d 1437, 1439 n. 2, 41 USPQ2d 1630, 1631 n. 2 (Fed.Cir.1997). We have specifically held that Federal Circuit law applies to Rule 54(b) certification and appellate jurisdiction issues. *Enercon Indus.*, 105 F.3d at 1439 n. 2, 41 USPQ2d at 1631 n. 2; *Spraytex, Inc., v. DJS&T*, 96 F.3d 1377, 1379, 40 USPQ2d 1145, 1146 (Fed.Cir.1996). We elect to follow the majority of other circuits and hold that a premature notice of appeal ripens upon entry of a proper Rule 54(b) certification. *See, e.g., Clausen v. Sea-3*, 21 F.3d 1181, 1184 (1st Cir.1994) ("The majority of circuits that have addressed jurisdictional quagmires similar to this one have held that a belated Fed.R.Civ.P. 54(b) certification ripens a premature notice of appeal as of the date of the certification."); *Good v. Ohio Edison Co.*, 104 F.3d 93, 95 (6th Cir.1997) (stating that its holding that "a premature notice of appeal ripens upon the entry of a proper Rule 54(b) certification, regardless of whether the certification is entered *nunc pro tunc*. . . . is consistent with a majority of our sister circuits that have addressed this issue"). *But see Useden v. Acker*, 947 F.2d 1563, 1570 (11th Cir.1991), *cert. denied*, 508 U.S. 959, 113 S.Ct. 2927, 124 L.Ed.2d 678 (1993). We follow the majority view and hold that the June 20, 2001, Rule 54(b) certification relates back to the March 2, 2000, final order, and that we have appellate jurisdiction.

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III. *Sovereign Immunity*

A. *Patent Infringement and Lanham Act Claims (Counts I, II, and IV)*

On the issue of sovereign immunity, this case is governed by *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 119 S.Ct. 2199, 144 L.Ed.2d 575 (1999), and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666, 119 S.Ct. 2219, 144 L.Ed.2d 605 (1999). In those cases, the Supreme Court established the Eleventh Amendment immunity of states from, respectively, patent infringement suits under the patent statute and unfair competition suits under the Lanham Act. In *Florida Prepaid*, 527 U.S. 627, 119 S.Ct. 2199, 144 L.Ed.2d 575, the Supreme Court held that although Congressional intent to abrogate states' immunity for patent infringement claims was unmistakably clear in the language of the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), the Commerce Clause, the Patent Clause, and the 14th Amendment did not provide Congress with authority to abrogate state sovereign immunity with respect to patent infringement claims. *Id.* at 636-48, 119 S.Ct. 2199. Accordingly, the Supreme Court reversed this court's decision in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 148 F.3d 1343 (Fed.Cir.1998), which had sustained the abrogation of immunity. 527 U.S. at 648, 119 S.Ct. 2199. In the companion case at the Supreme Court, *College Savings Bank*, 527 U.S. 666, 672-75, 119 S.Ct. 2219, 144 L.Ed.2d 605, the Court held that the Trademark Remedy Clarification Act did not abrogate sovereign immunity for actions brought

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under the Lanham Act. The Court also held that Florida did not voluntarily waive its sovereign immunity through its activities in interstate commerce and expressly overruled the Court's previous decision in *Parden v. Terminal Railway of Alabama State Docks Department*, 377 U.S. 184, 84 S.Ct. 1207, 12 L.Ed.2d 233 (1964), which had recognized an implied or constructive waiver of sovereign immunity. 527 U.S. at 675-87, 119 S.Ct. 2219. The Supreme Court affirmed the Third Circuit decision in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 131 F.3d 353, 366 (3d Cir.1997). 527 U.S. at 691, 119 S.Ct. 2219.

Under the Court's decisions in *College Savings Bank* and *Florida Prepaid*, Florida enjoys sovereign immunity with respect to the patent infringement and Lanham Act claims unless Florida has waived sovereign immunity. The district court rejected State Contracting's assertion that Florida has waived its immunity either generally or specifically by participating in the litigation. On this appeal, plaintiffs contest the district court's waiver decision.

We are not persuaded that Florida has generally waived its immunity to suit. The Florida Supreme Court's 1941 decision in *State Road Department of Florida v. Tharp*, 146 Fla. 745, 1 So.2d 868 (1941), held merely that a bill of complaint for an injunction against the State of Florida in state court on a theory of trespass could be maintained because the state had waived immunity by state statute and by the Florida Constitution. The case may also represent a holding that sovereign immunity is waived as to takings claims in state court. The question, however, remains whether Florida has waived sovereign immunity

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in this particular case as to the patent and Lanham Act claims in the federal district court. It is well-established that an express waiver of sovereign immunity must be unequivocal. *Coll. Sav. Bank*, 527 U.S. at 680, 119 S.Ct. 2219; *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99, 104 S.Ct. 900, 79 L.Ed.2d 67 (1984); *Great N. Life Ins. Co. v. Read*, 322 U.S. 47, 54, 64 S.Ct. 873, 88 L.Ed. 1121 (1944). After *College Savings Bank*, it is clear that any waiver of sovereign immunity by a state must be express and voluntary, and cannot be implied or constructive. 527 U.S. at 682, 119 S.Ct. 2219 (expressly overruling *Parden*). The Court also emphasized that the test for finding an express waiver is a stringent one. *Coll. Sav. Bank*, 527 U.S. at 682, 119 S.Ct. 2219. Under this standard we cannot find a general waiver of immunity with respect to Lanham Act and patent claims.

State Contracting also claims that Florida has waived its sovereign immunity by defending this litigation, both on its own behalf and as the representative of the alleged private infringers. It is quite clear that those activities do not amount to a waiver. In *Florida Department of State v. Treasure Salvors, Inc.*, 458 U.S. 670, 683 n. 18, 102 S.Ct. 3304, 73 L.Ed.2d 1057 (1982), for example, the Supreme Court held that "[t]he fact that the State appeared and offered defenses on the merits does not foreclose consideration of the Eleventh Amendment issue." *See also Allinder v. Ohio*, 808 F.2d 1180, 1184 (6th Cir.1987) (holding that the State of Ohio did not waive immunity by generally defending itself when it raised defenses in addition to sovereign immunity).

In its answer to the amended complaint, the State of Florida counterclaimed for a declaratory judgment of

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non-infringement and invalidity of the '288 and '455 patents. State Contracting next asserts that Florida has waived immunity as to the patent claims by filing the counterclaim and by litigating the counterclaim. The question whether the filing of a counterclaim constitutes a waiver of immunity as to the patent claims is substantial, for some courts have suggested that the filing of a counterclaim waives immunity, *see, e.g., Paul N. Howard Co. v. Puerto Rico Aqueduct Sewer Authority*, 744 F.2d 880, 886 (1st Cir.1984), *Newfield House, Inc. v. Massachusetts Department of Public Welfare*, 651 F.2d 32, 36 n. 3 (1st Cir.1981), and others have made clear that the filing of a patent counterclaim of invalidity is quite a separate matter from asserting affirmative defenses of invalidity, *Cardinal Chem. Co. v.. Morton Int'l, Inc.*, 508 U.S. 83, 94, 113 S.Ct. 1967, 124 L.Ed.2d 1 (1993) (discussing differences between filing an answer asserting invalidity and filing a counterclaim for declaratory judgment of invalidity). In *College Savings Bank*, 131 F.3d 353, 366 (3d Cir.1997), *aff'd*, 527 U.S. 666, 119 S.Ct. 2219, 144 L.Ed.2d 605 (1999), the Third Circuit held that Florida's filing of a Lanham Act counterclaim did not waive its defense of sovereign immunity because it was not until the Supreme Court decision in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 116 S.Ct. 1114, 134 L.Ed.2d 252 (1996), that "the successful assertion of an immunity defense became a reasonable possibility." In *Seminole Tribe*, the Supreme Court first held that Congress' authority to abrogate a state's Eleventh Amendment immunity from suit in federal court was confined to the enforcement section of the Fourteenth Amendment. We generally agree with the Third Circuit's approach, with two modifications. We think that

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the test should be one of "reasonable expectation" rather than "reasonable possibility," thus allowing some greater latitude for the filing of protective counterclaims by the states without waiving immunity, and we conclude that the decision in *Seminole Tribe* did not create a reasonable expectation that the state would prevail on its sovereign immunity claim with respect to the patent infringement counts.

In this case, the patent counterclaim was filed on June 22, 1998. At the time the counterclaim was filed Congress had abrogated the state's patent infringement immunity in the 1994 Patent Remedy Act, and we sustained the abrogation of immunity for patent infringement claims on June 30, 1998, in our *College Savings Bank* decision, 148 F.3d 1343 (Fed.Cir.1998), shortly after the counterclaim was filed. The State of Florida could not have reasonably expected to prevail on its sovereign immunity defense until *Florida Prepaid* was decided by the Supreme Court. Therefore, it was entirely reasonable for the State to file a counterclaim of patent invalidity.[3] In short, we agree that the filing of a counterclaim during a period when the State was reasonably unsure about the availability of an immunity defense was not a waiver. The parties agree that Florida took no further action on the

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[3] The district court noted that "the state of the law at the time Defendants filed their answer, counterclaim and motion to dismiss, was clear that a state *could be sued* for patent infringement under the Patent and Plant Protection Remedy Clarification Act as enacted by Congress." *Final Order*, slip op. at 6-7 (emphasis in original).

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counterclaims after the Supreme Court's decision in *Florida Prepaid*. We hold that Florida's mere failure to withdraw the counterclaims after the Supreme Court decision cannot be a waiver of sovereign immunity as to counts I, II, and IV.

B. *Takings Claim (Count V)*

In its complaint, plaintiffs alleged an unconstitutional taking by the State of Florida of their proprietary and patent rights in designs and specifications for the construction of sound barrier walls. The district court held that the takings claim was barred by sovereign immunity because "[a]llowing Plaintiffs' Count V to proceed would vitiate the Eleventh Amendment analysis in the Supreme Court's *College Savings Bank* opinions by turning every patent infringement case against a state into a Section 1983 takings case for patent profits." *Id.*, slip op. at 9. We affirm the holding of sovereign immunity, but on a different ground. In *Quern v. Jordan*, 440 U.S. 332, 345, 99 S.Ct. 1139, 59 L.Ed.2d 358 (1979), the Supreme Court recognized that 42 U.S.C. § 1983 did not abrogate the states' sovereign immunity for suits in federal court. The Court noted that "[Section] 1983 does not explicitly and by clear language indicate on its face an intent to sweep away the immunity of the States; nor does it have a history which focuses directly on the question of state liability and which shows that Congress considered and firmly decided to abrogate the Eleventh Amendment immunity of the States." *Id.* In light of *Quern*, we affirm the district court's grant of summary judgment in favor of the State of Florida on the takings claim.

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C. *Breach of Contract against the State of Florida (Count VI)*

The district court assumed that there was no sovereign immunity as to claims against the State of Florida for breach of contract, and the parties apparently agree, as do we. But the district court also correctly held that the contract claims against Florida were without merit. *Final Order,* slip op. at 9-12. Plaintiffs argue that the contract obligated FDOT to compensate plaintiffs for the cost savings in future contracts using the plaintiff's proprietary technology at the same rate as in the VECP contract. *Id.*, slip op. at 10.

The relevant portions of the contract on this issue are found in the FDOT Standard Specifications that are expressly incorporated into the contract. Section 4-3.5.7, entitled "Sharing Arrangements," states:

> If a VECP is accepted by the Department, the Contractor is entitled to share in instant contract savings. . . . For the purposes of sharing under this Subarticle, the term 'instant contract'. . . . shall, however, include any extension of the instant contract through exercise of an option (if any) *provided under this Contract* after acceptance of the VECP.
>
> . . .
>
> The Contractor shall not receive instant savings or collateral savings shares on optional work *listed in this Contract,* until the Department exercises its option to obtain that work.
>
> (emphases added).

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We agree with the district court that this language is unambiguous, and that the obligation is limited to "optional work listed in this Contract" or work under "an option (if any) provided under this Contract." The work in question was not option work under the original contract. We agree with the district court that this language did not create an obligation to pay plaintiffs if FDOT used their data on future contracts as plaintiffs claim here. Contrary to appellants' arguments, *Dahl-Eimers v. Mutual of Omaha Life Insurance Co.*, 986 F.2d 1379, 1381 (11th Cir.1993), and *Davis v. Crown Life Insurance Co.*, 696 F.2d 1343, 1346 (11th Cir.1983), do not establish that the absence of a provision for payment renders a contract ambiguous under Florida law.

IV. *Claims Against Private Contractors for Patent Infringement (Counts III and VII)*

This leads us to the claims against the private parties. The district court reasoned that the patent infringement claims against the private contractors (counts III and VII) were barred because State Contracting had agreed to license the State of Florida under its patents. We conclude that the district court erred as to these claims.

The contract in question was drafted by the State of Florida, and was lengthy. It incorporated what are known as value engineering provisions – designed to encourage contractors to develop better methods of doing the job. As noted above, the contract provided for additional payments to the contractor if it developed such methods and allowed the state to use these methods on the contract and on option contracts free of charge.

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The relevant portion of the contract, section 4-3.5.8 of the FDOT Standard Specifications, entitled "Department's Future Rights to a VECP," provided:

> In the event of acceptance of a VECP, the Contractor hereby grants to the Department *all rights to use, duplicate or disclose,* in whole or in part, in any manner and for any purpose whatsoever, and to have or to permit others to do so, *data* reasonably necessary to fully utilize such proposal *on this and any other Department contract.*

(emphases added). These provisions were not limited to the contract in question, but extended to all future State of Florida use. The district court found this language to be unambiguous and held that "Plaintiffs agreed in the VECP to allow FDOT to utilize their then unpatented data, without any agreement to compensate Plaintiffs for future use, beyond the instant contract savings and any optional work included in the original contract." *Final Order,* slip op. at 12-13. While we agree with the district court that this language is unambiguous, we disagree with the district court's interpretation of this language. We conclude that the contract does not provide a license for patent rights to the private contractors.

"Whether express or implied, a license is a contract 'governed by ordinary principles of state contract law.' " *McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920 36 USPQ2d 1289, 1291 (Fed.Cir.1995) (quoting *Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc.*, 871 F.2d 1082, 1085, 10 USPQ2d 1464, 1466 (Fed.Cir.1989)). Although we apply Florida law in construing the contract, it is significant that the Supreme Court has recognized that patent rights

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and trade secret rights are quite distinct, and that a contract may provide for different treatment of the two. For example, in *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262, 99 S.Ct. 1096, 59 L.Ed.2d 296 (1979), the Supreme Court held that even though a patent application had not issued, the parties' agreement for the payment of a royalty for the use of proprietary technology was valid, because "[s]tate law is not displaced merely because the contract relates to intellectual property which may or may not be patentable." So too in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 474, 491-93, 94 S.Ct. 1879, 40 L.Ed.2d 315 (1974), the Supreme Court held that Ohio's law protecting trade secrets was not preempted by the federal patent laws because the trade secret law did not clash with the objectives of the federal patent law.

The right to use State Contracting's proprietary technology on the original contract was covered by the supplemental VECP agreement itself as discussed above. The only rights that the state acquired for future contracts were by virtue of section 4-3.5.8. To be sure, the provision apparently contemplated that State Contracting's "proposal" would be used on "other Department contract [s]." But that section only conveyed rights to use "data" in future contracts, and did not in terms convey the right to manufacture the sound barriers using plaintiffs' design or to use plaintiffs' manufacturing method. Most significantly the section did not explicitly convey any patent rights, require the contractor to surrender its rights to the technology, or bar the contractor from securing a patent on the invention.

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The contract's failure to explicitly provide for the licensing of patent rights is a glaring omission, particularly where, as here, the contracting parties clearly contemplated that there might be relevant patents. Section 7-3 of the FDOT Standard Specifications, entitled "Patented Devices, Materials and Processes," provides: "It is agreed that, without exception, contract prices are to include all royalties and costs arising from patents, trademarks, and copyrights, in any way involved in the work." The provision for licensing of patents is limited to work under the contract and does not convey any license to future use of the patented technology. The existence of this provision shows that, if the parties had intended to convey other patent rights, they would have done so explicitly.

Under these circumstances we think it clear that the contract did not in fact provide a license for patent rights to the private contractors under future contracts. The State of Florida drafted the contract, and Florida law requires that it be construed against the drafter. *Golden Door Jewelry Creations, Inc. v. Lloyds Underwriters Non-Marine Ass'n*, 117 F.3d 1328 (11th Cir.1997). Therefore, we vacate the district court's grant of summary judgment to the private contractors on the patent infringement counts (counts III and VII), and remand for proceedings consistent with this opinion.

CONCLUSION

Based on the above, we affirm in part, vacate in part, and remand. We hold that the district court did not err in granting summary judgment to the State of Florida on

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counts I, II, IV, V, and VI, but that the district court erred in granting summary judgment to the private contractors on counts III and VII.

AFFIRMED-IN-PART, VACATED-IN-PART, and REMANDED.

COSTS

No costs.

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 97-7014-CIV-DIMITROULEAS

STATE CONTRACTING & ENGINEERING CORP. and STATE PAVING CORP.,

Plaintiffs,

vs.

STATE OF FLORIDA, DEPARTMENT OF TRANSPORTATION, et al.,

Defendants.
_____/

FINAL ORDER OF SUMMARY JUDGMENT FOR DEFENDANTS

(Filed Mar. 2, 2000)

THIS CAUSE is before the Court upon several pending motions before this Court following the remand from the Federal Circuit Court of Appeals. The motions decided herein include Plaintiffs' Motion to Strike Affirmative Defenses [DE 82] appended to the amended answer to Count IV; Plaintiffs' Motion for Partial Summary Judgment as to the breach of contract claim [DE 106]; Defendants' Motion in limine to exclude testimony of Harold Einhorn [DE 113]; Defendants' Motion for Summary Judgment based upon the doctrine of sovereign immunity [DE 116]; Defendants' Motion for Summary

Judgment for invalidity of patents in suit under 35 U.S.C. § 103 [DE 117]; Defendants' Motion for Summary Judgment on breach of contract claim [DE 118-1] and on amended affirmative defenses for no patent infringement [DE 118-2]; Plaintiffs' Motion for partial summary judgment as to all claims for patent infringement [DE 121]; Plaintiffs' Motion to Compel and to Preclude reliance upon opinion of counsel regarding willful infringement [DE 147]. The Court has carefully considered all these motions and is otherwise fully advised in the premises.[1]

I. BACKGROUND

Plaintiffs patented a method and apparatus for a unique integrated column and pile for use in building structures in sandy soils. Prior to the issuance of these two patents, however, Plaintiffs entered into a contract with the Florida Department of Transportation("FDOT") to utilize this construction method and apparatus in the construction of highway sound barrier walls. In this action, plaintiffs filed a seven count amended complaint asserting the following claims: 1) Direct patent infringement against FDOT with regard to plaintiffs' patent for a method (Count I) and apparatus (Count II); 2) Direct patent infringement against various named competing highway construction contractors[2] for violations of both

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[1] Additional motions may be pending, but are moot given this decision issued today.

[2] Recchi America, Inc., The Murphy Construction Co., The Hardaway Company, Hubbard Construction Company, Balfour Beatty Construction Company, and Community Asphalt Corp. (hereinafter "Competing Contractors").

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patents (Count III); 3) Contributory patent infringement against defendant Joelson Concrete Pipe Company (Count VII) for its manufacture, use and sale of concrete posts especially made as a component of the patented apparatus and method; 4) Violation of the Lanham Act by FDOT (Count IV) by its representing to potential bidders of construction projects that the specified method for sandy soil construction was "unpatented;" 5) Unconstitutional taking by FDOT (Count V) for its use of plaintiffs' proprietary rights in designs and specifications for the construction of sound barrier walls; and 6) Breach of contract by FDOT (Count VI) for not compensating plaintiffs following plaintiff's submittal and FDOT acceptance of a Value Engineering Change Proposal (VECP) that saved FDOT money on future sound barrier construction projects.

This Court earlier had denied Defendant's Motion to Dismiss for lack of jurisdiction based upon sovereign immunity. That decision was appealed. Following the United States Supreme Court's resolution of the Eleventh Amendment issues with regard to the Patent Protection Act and the Lanham Act, the Federal Circuit remanded this case to the undersigned to resolve the briefed issues in the first instance.

In that same order of this Court, the court had granted Defendants' Motion to Amend its Affirmative Defenses. The Court deemed the Amended Affirmative Defenses annexed to Docket Entry 74 as filed. However, after the Court issued its order, Defendants' filed another pleading entitled Amended Affirmative Defenses [DE 81], adding several additional affirmative defenses not

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included in the motion granted by this Court. Plaintiff thereafter moved to strike this pleading.

The parties have also filed five motions for summary judgment, as well as three evidentiary related motions, and other motions regarding deadlines in the case. The Court will principally discuss the substantive motions in the first category.

II. DISCUSSION

A. Motion to Strike

As discussed above, Plaintiffs move to strike Defendants' additional Affirmative Defenses filed at docket entry 81 that were not included in Defendants' motion to amend [DE 74], as being beyond the date set by this court for amendment of pleadings under Rule 15 of the Federal Rules of Civil Procedure. Defendants respond, however, by stating that Rule 12(a)(4)(A) allows a defendant to file a responsive pleading to a complaint within ten days after a court denies a motion to dismiss. In this case, the Court denied the motion to dismiss at the same time as the Court approved the previously filed motion to amend affirmative defenses.[3] While the Court had intended to end amendments to the pleadings at that point, the Court finds that the Federal Rules do provide Defendant with the right to so file affirmative defenses ten days after

[3] The Court assumes that the motion to amend affirmative defenses was filed prior to the Court's resolution of the motion to dismiss the same count due to the deadlines that had been set by the Court for motions to amend.

notice of a court order denying a motion to dismiss.[4] Therefore, the Motion to Strike is denied.

B. Motions for Summary Judgment

1. Summary Judgment Standard

The Court may grant summary judgment "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed.R.Civ.P. 56(c). The stringent burden of establishing the absence of a genuine issue of material fact lies with the moving party. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). The Court should not grant summary judgment unless it is clear that a trial is unnecessary, *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986), and any doubts in this regard should be resolved against the moving party, *Adickes v. S.H. Kress & Co.*, 398 U.S. 144, 157 (1970).

The movant "bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of [the record] which it believes demonstrate the absence of genuine issue of material fact." *Celotex Corp.*, 477 U.S. at 323. To discharge this burden, the movant must point out to the Court that

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[4] This decision though is effectively mooted by this Court's granting of Defendants' motion for summary judgment on Count IV as the FDOT cannot be held liable for a Lanham Act violation under the recent Supreme Court rulings.

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there is an absence of evidence to support the nonmoving party's case. *Id.* at 325.

After the movant has met its burden under rule 56(c), the burden of production shifts and the nonmoving party "must do more than simply show that there is some metaphysical doubt as to the material facts." *Matsushita Electronic Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986). According to the plain language of Fed.R.Civ.P. 56(e), the non-moving party "may not rest upon the mere allegations or denials of the adverse party's pleadings," but instead must come forward with "specific facts showing that there is a genuine issue for trial." Fed.R.Civ.P. 56(e); *Matsushita*, 475 U.S. at 587.

Essentially, so long as the non-moving party has had an ample opportunity to conduct discovery, it must come forward with affirmative evidence to support its claim. *Anderson*, 477 U.S. at 257. "A mere 'scintilla' of evidence supporting the opposing party's position will not suffice; there must be a sufficient showing that the jury could reasonably find for that party." *Walker v. Darby*, 911 F.2d 1573, 1577 (11th Cir. 1990). If the evidence advanced by the non-moving party "is merely colorable, or is not significantly probative, then summary judgment may be granted." *Anderson*, 477 U.S. 242, 249-50.

2. Sovereign Immunity Issues

Defendants initially moved to dismiss Count IV, the Lanham Act claim, based upon Eleventh Amendment immunity. This Court denied the motion based upon

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College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board, 148 F.3d 1343, 1352 (Fed. Cir. 1998). Defendants appealed. During the pendency of the appeal, the United States Supreme Court reversed the above decision, and held that legislation passed by Congress could not be sustained to enforce the guarantees of the Fourteenth Amendment's Due Process clause.

Plaintiffs, however, argue that Defendant FDOT has waived its sovereign immunity in this case by filing a counterclaim for patent invalidity and then litigating its declaratory judgment counterclaim in federal court. In addition, Plaintiff argues that it can still seek injunctive relief under *Ex Parte Young* in federal court. This Court disagrees with both arguments.

In its recent opinions, the Supreme Court stated that a waiver of Eleventh Amendment immunity may be found if the State voluntarily invokes federal court jurisdiction. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 119 S.Ct. 2219, 2226 (1999). However, the test for waiver "is a stringent one." *Id.* In this case, Defendant FDOT did not voluntarily invoke this Court's jurisdiction.

Plaintiff argues that the Defendant's counterclaim is enough to find a waiver of immunity, citing to *Paul N. Howard Company v. Puerto Rico Aqueduct Sewer Authority*, 744 F.2d 880 (1st Cir. 1984). However, in that case the state defendant filed a counterclaim and a third-party complaint, and did not assert Eleventh Amendment immunity until the appeal stage. The First Circuit held that the state agency had clearly waived its immunity. 744 F.2d at 886.

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This Court determines that the *Howard* decision is thus distinguishable on its facts from the instant case. Here, the state agency contemporaneously moved for dismissal of the Lanham Act claim based upon sovereign immunity, answered the other six counts of the complaint, and plead a counterclaim for patent invalidity that tracked its affirmative defenses. *See Knussman v. Maryland*, 65 F.Supp.2d 353, 358-360 (D.Md.1999). Second, as Defendants argue, it is common for one defending a patent infringement case to plead patent invalidity. In this case, the counterclaim did not assert new issues into the case that were not already plead as affirmative defenses. *See* Defendants' Answer, Affirmative Defenses and Counterclaims to Plaintiffs' First Amended Complaint, June 22, 1998 (docketed at entry 189). Third, the Defendants do not seek damages in their counterclaim, but merely a declaratory judgment. Finally, the state of the law at the time Defendants filed their answer, counterclaim and motion to dismiss, was clear that a state *could be sued* for patent infringement under the Patent and Plant Variety Protection Remedy Clarification Act as enacted by Congress.[5] Thus, Defendants could only move to dismiss the Lanham Act claim under the Eleventh Amendment.

After extensively researching the caselaw on exactly what constitutes waiver of the Eleventh Amendment by

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[5] In addition, although the Federal Circuit Court of Appeals decision upholding that Act in *College Savings Bank*, 148 F.3d 1343, 1352 (Fed. Cir. 1998), was not released until June 30, 1998 (Defendant's Answer to the Amended Complaint was filed June 22, 1998), the district court opinion had upheld the law that a state could be sued. 948 F.Supp. 400 (D.N.J. 1996).

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conduct, this Court was unable to locate a case directly on point. However, this Court concludes that the FDOT Defendant in this case has not done enough to constitute waiver compared with those decisions. In *In Re Burke*, the Eleventh Circuit's "quite narrow" holding found a waiver of Eleventh Amendment immunity when a state files a claim in a bankruptcy proceeding and the debtor seeks the aid of the federal bankruptcy court in enforcing the automatic stay to prevent state collection efforts, 146 F.3d 1313, 1319 (11th Cir. 1998), *cert. denied*, 119 S.Ct. 2410 (1999). The state in *Burke* affirmatively invoked the jurisdiction of state court by filing a claim in a bankruptcy proceeding. *Id.*; *Gardner v. New Jersey*, 359 U.S. 565, 573-74, 67 S.Ct. 467, 472 (1947); *Clark v. Barnard*, 108 U.S. 436, 447, 2 S.Ct. 878, 883 (1883) (although defendant, state acted as interpleader in case to determine rights to surety bond for public construction). Applying *Burke* to this case, the FDOT did not affirmatively invoke the jurisdiction of the Court. As discussed above, Defendants raised the Eleventh Amendment argument at the earliest opportunity. Second, in response to Plaintiffs' argument that the FDOT has been actively litigating this case, the fact that Defendants followed the deadlines imposed by this Court for this case do not constitute a waiver of the Eleventh Amendment.

In the final analysis, the law is clear that a state must affirmatively invoke the jurisdiction of the federal courts for state conduct to constitute a waiver of Eleventh Amendment immunity. Using the Supreme Court and Eleventh Circuit cases as a guide, this Court concludes on the facts of this case that the FDOT has not waived its

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immunity. Accordingly, the Court grants summary judgment on the issue of Eleventh Amendment sovereign immunity to Defendant FDOT on Counts I (patent), II (patent), and IV (Lanham Act) of the Amended Complaint.[6]

Turning to the sovereign immunity issue as it relates to private contractor patent infringement liability in Count III and/or Count VII of the Complaint, the Eleventh Amendment creates rights in states only, not private entities, or even state-created independent organizations. In Florida, state contractors, such as prison guards or prison health providers, do not have qualified immunity. *Richardson v. McKnight*, 521 U.S. 399, 404-406, 117 S.Ct. 2100, 2104 (1997); *Hinson v. Edmond*, 192 F.3d 1342, 1345 (11th Cir. 1999). Therefore, the Court finds no case law to support dismissing on Eleventh Amendment grounds the counts that allege infringement by the private defendants.[7]

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[6] Plaintiffs argue in the alternative that their suit may progress for injunctive relief under *Ex Parte Young*, 209 U.S. 123 (1908). That cases allows plaintiffs to sue for prospective injunctive relief against individual state officers in their official capacity. The problem here is that Plaintiffs have not sued a state officer, but rather the State of Florida Department of Transportation. Moreover, the time for amendments to pleadings has long since passed. Thus, Plaintiffs' *Ex Parte Young* argument must be rejected.

[7] The Court is aware that neither party has briefed this issue.

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3. Section 1983 Takings Claim

In Count V of the first Amended Complaint, Plaintiffs assert a 1983 claim for the unconstitutional taking of their profits from their patented invention and data used by the FDOT without Plaintiffs' permission. In response to Defendant FDOT's motion for summary judgment on sovereign immunity on this count, Plaintiff's do not present any caselaw allowing a Section 1983 claim to substitute for a patent claim.[8] In a federal challenge to the FDOT's minority business program, the Eleventh Circuit in passing accepted the district court's dismissal of a Section 1983 claim pursuant to Eleventh Amendment immunity. *Cone Corporation v. FDOT*, 921 F.2d 1190, 1201, n. 37 (11th Cir. 1991). Allowing Plaintiffs' Count V to proceed would vitiate the Eleventh Amendment analysis in the Supreme Court's *College Savings Bank* opinions by turning every patent infringement case against a state into a Section 1983 takings case for patent profits. Therefore, the Court will grant summary judgment on Count V to Defendant FDOT.[9]

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[8] Plaintiffs concede in their opposition to Defendants' motion on this issue that the "patent property rights at issue in Counts I-IV and VII is the same property right underlying the substantive due process violation raised in Count V." *See* Plaintiffs' Opposition to Defendants' Motion for Summary Judgment Based Upon the Doctrine of Sovereign Immunity (at docket entry 134).

[9] In *Hill v. Department of Corrections*, 513 So.2d 129 (1987), the Florida Supreme Court expressly held that while Florida is at liberty to waive its immunity as to civil rights actions, it has not done so. *Id.* at 133. In reaching its decision, the Florida Supreme Court specifically rejected the argument that Florida

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4. Breach of Contract

Count VI of the First Amended Complaint asserts a breach of contract claim. Essentially, Plaintiffs allege that the FDOT failed to pay Plaintiffs for costs savings from future contracts that utilized Plaintiffs' invention data. Both parties have filed motions for summary judgment on this claim and agree that the facts are not in dispute. The FDOT argues in its motion for summary judgment that the contract between the parties allowed FDOT to use the invention data in future projects without compensating Plaintiffs beyond the "instant cost savings" from the initial contract with Plaintiffs that utilized the new invention. Plaintiffs argue that the contract created options for future contracts which if accepted by FDOT obligated FDOT to compensate Plaintiffs for the costs savings in those future contracts at the same rate as in the VECP contract. Neither party presents case law to aid in interpreting the language of the contract.[10]

Statutes Section 768.28 includes a waiver of sovereign immunity for civil rights actions. *Id.*; *see also Gamble v. Florida Department of Health and Rehabilitative Services*, 779 F.2d 1509 (11th Cir. 1986) (rejecting the suggestion that Section 768.28 represents a broad waiver of sovereign immunity, finding instead that the abrogation was limited to traditional torts and not civil rights actions).

[10] Plaintiffs present case law that the Court is to decide the meaning of the contract as a matter of law, and that if there is ambiguity, the contract should be interpreted against the drafter of the contract, in this case, Defendant FDOT.

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The key phrases of the contract can be found in the FDOT Standard Specifications that are expressly incorporated into the contact at issue.[11] "In the absence of ambiguity, the language of the contract itself is the best evidence of the parties' intent and its plain meaning controls." *Misala, Inc. v. Eagles d/b/a Hot Hands, Inc.*, 662 So.2d 1389 (Fla. 4th DCA 1995). Subarticle 4-3.5.7, entitled "Sharing Arrangements," states:

> If a VECP is accepted by the Department, the Contractor is entitled to share in instant contract savings. . . . For the purposes of sharing under this Subarticle, the term "instant contract" . . . shall, however, include any extension of the instant contract through exercise of an option (if any) provided under this Contract after acceptance of the VECP.
>
> . . .
>
> The Contractor shall not receive instant savings or collateral savings shares on optional work listed in this Contract until the Department exercises its option to obtain that work.

The following subsection 4-3.5.8, entitled "Department's Future Rights to a VECP," states:

> In the event of acceptance of a VECP, the Contractor hereby grants to the Department all rights to use, duplicate or disclose, in whole or in part, in any manner and for any purpose

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[11] The contract at issue is called Value Engineering Change Proposal #90-02 for state job number 86070-3505. See Exhibit A to Defendants' Motion for Summary Judgment on Count VI [DE 118]. All parties agree that the Standard Specifications are incorporated into the contract.

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> whatsoever, and to have or to permit others to do so, data reasonably necessary to fully utilize such proposal on this and any other Department contract.

Plaintiffs argue that subsection 4-3.5.7 creates an option for the FDOT to use the VECP data in the future in exchange for compensating Plaintiffs for each such future use. However, the Court determines that the language is clear, and agrees with the FDOT's interpretation that such option is limited to "optional work listed in this Contract," or "provided under this Contract."[12] In addition subsection 4-3.5.8 grants to FDOT the right to use the "data reasonably necessary to fully utilize such proposal on . . . any other Department contract."[13]

The Court rejects Plaintiffs' interpretation that this language creates an optional contract to pay Plaintiffs if the FDOT uses their data in the future.[14]

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[12] The Court notes for the record that it has not relied upon Defendant's expert report or affidavits on the contract issues, or the patent issues discussed below. Therefore, the Court in effect grants without prejudice Plaintiffs' motion in limine to exclude Harold Einhorn [DE 113] and Plaintiffs' motion to preclude Defendants reliance on experts regarding wilful infringement [DE 147-2].

[13] The "data" that is submitted is described in Subarticle 4-3.5.3 of the Standard Specifications. It includes an itemization of plan details, design standards, or specifications that must be changed if the VECP is adopted. See subsection 4-3.5.3(3). This data submitted by Plaintiffs is sufficient to cover all of the patented claims in the two patents.

[14] The Plaintiffs also argue that the Defendant's did not intend to prevent such future contract payments to Plaintiffs because two years after execution of this VECP, FDOT changed

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Therefore, the Court will grant summary judgment to Defendants on Count VI, as the contract between the parties did not create a right of Plaintiffs to future cost savings, but rather allowed the FDOT to use Plaintiffs' data in any other Department contract without more payment that the payment for instant contract savings.

5. Patent Infringement by Contractor Defendants (Counts III and VII)

The remaining claims in the Amended Complaint assert direct patent infringement by the Competing Contractors (Count III) and contributory patent infringement against the seller of the patented posts, Defendant Joelson Concrete Pipe Company (Count VII). Again, the parties agree that there are no material issues of genuine facts in dispute, and that summary judgment is appropriate.

Plaintiffs obtained patents from the United States Patent Office in 1993 for the method of constructing an integrated column and foundation pile (Patent #5,234,288), and in 1995 for an integrated column and foundation pile and ground supported structures (Patent #5,429,455). These patents were not yet valid at the time

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subsection 4-3.5.8 of its Standard Specifications to specifically exclude payments for royalties or other fees or costs. *See* Exhibit E to Plaintiffs' Opposition to Defendants' Motions for Summary Judgment on Count VI (at docket entry 136). Despite relying on the plain meaning of the contract between the parties, the Court rejects the argument that this 1992 language change by FDOT means that FDOT did not intend in 1990 to be forced to pay patent royalties. In addition, such later change does not make the 1990 contract language ambiguous.

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of the 1990 VECP contract between the parties that was discussed above. Defendant FDOT admits using the patented method and structure in later bid proposals, and all Defendants admit infringing the patents on FDOT jobs.

Defendants argue that the 1990 VECP contract gave Defendants the right to use Plaintiffs' data regarding the method and structures in future contracts without payment of royalties. Plaintiffs disagree, stating that while Defendants may have the right to use the data, they must still pay Plaintiffs for such use. Resolution of this issue is essentially a matter of contract law, not patent law, and must be resolved in conjunction with the contract interpretation explained above. Quite simply, Plaintiffs agreed in the VECP to allow FDOT[15] to utilize their then unpatented data, without any agreement to compensate Plaintiffs for future use, beyond the instant contract savings and any optional work included in the original contract. Therefore, despite the unfairness present in ruling against an innovator whose invention benefitted the entire State

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[15] Neither party makes any arguments as to different treatment for the FDOT and the other Defendants on this issue. Clearly, if FDOT had the right to use Plaintiffs' patented method and structure in future contracts, then the other Defendants obtained the same right to use Plaintiffs' innovations when they used Plaintiffs' patented method and apparatus on FDOT projects. At the same time, the other Defendants would not have protection to use Plaintiffs' patents on non-FDOT projects.

Despite this conclusion, if Plaintiffs have caselaw supporting such a distinction between FDOT and the Competing Contractors, they are free to file any appropriate post-judgment motions to that effect. If Plaintiffs do file a motion, they should also address whether the other Defendants have any form of immunity for their work on public contracts.

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of Florida through FDOT projects, this Court determines that summary judgment in favor of Defendants on the issue of patent infringement is the only legally defensible conclusion.

III. CONCLUSION

The Court having now granted summary judgment in favor of Defendants on all counts of the Amended Complaint, the Court finds no need to address any of the other pending motions not addressed above or specifically ruled on below.

Accordingly, it is **ORDERED AND ADJUDGED** as follows:

1. Plaintiffs' Motion to Strike Affirmative Defenses [DE 82] appended to the amended answer to Count IV is hereby **DENIED**;
2. Plaintiffs' Motion for Partial Summary Judgment as to the breach of contract claim [DE 106] is hereby **DENIED**;
3. Plaintiffs' Motion in limine to exclude testimony of Harold Einhorn [DE 113] is hereby **GRANTED** without prejudice;
4. Defendants' Motion for Summary Judgment based upon the doctrine of sovereign immunity [DE 116] is hereby **GRANTED**;
5. Defendants' Motion for Summary Judgment on breach of contract claim [DE 118-1] is hereby **GRANTED**;
6. Defendants' Motion for Summary Judgment on amended affirmative defenses for no patent infringement [DE 118-2] is hereby **GRANTED**;

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7. Plaintiffs' Motion for partial summary judgment as to all claims for patent infringement [DE 121] is hereby **DENIED**;

8. Plaintiffs' Motion to preclude reliance upon opinion of counsel regarding willful infringement [DE 147-2] is hereby **GRANTED without prejudice**;

9. All other motions are hereby **DENIED as moot**;

10. Summary final judgment is hereby entered on behalf of all Defendants as to all counts of the amended complaint; and against Plaintiffs, and Plaintiffs shall take nothing by this action;

11. The Clerk may close this case, the Court retaining jurisdiction to hear any appropriate post-judgment motions.

DONE AND ORDERED in Chambers at Fort Lauderdale, Broward County, Florida, this 2 day of March, 2000.

/s/ William P. Dimitrouleas
WILLIAM P. DIMITROULEAS
United States District Judge

Copies furnished to:

Richard Ross, Esq.
Stefan V. Stein, Esq.
John H. Faro, Esq.

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United States Court of Appeals for the Federal Circuit

00-1434

STATE CONTRACTING & ENGINEERING CORPORATION and STATE PAVING CORPORATION,

Plaintiffs-Appellants,

v.

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Defendants-Appellees.

Before RADER, GAJARSA, and DYK, *Circuit Judges*.

ORDER

(Filed Jun. 7, 2001)

It is ordered that:

The parties shall file letters to the court not to exceed 3 pages, on or before June 25, 2001, directed to the following questions:

(1) Whether the district court's order of March 2, 2000, constitutes a final judgment by the district court because of the pendency of the counterclaim?

(2) If the order did not constitute a final judgment, whether the district court has issued a proper Rule 54(b) certification that complies in all respects with the Federal

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Rules of Civil Procedure? *See* Fed. R. Civ. P. 54(b); 10 Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2660 (3d ed. 1998).

(3) If the order did not constitute a final judgment and the district court has not issued a Rule 54(b) certification, have the parties taken any action to secure such a certification?

JUN – 7 2001
Date

/s/ Jan Horbaly (Lp)
Jan Horbaly
Clerk

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 97-7014-CIV-DIMITROULEAS

STATE CONTRACTING &
ENGINEERING CORP. and
STATE PAVING CORP.,

Plaintiffs,

vs.

STATE OF FLORIDA,
DEPARTMENT OF
TRANSPORTATION, et al.,

Defendants.
_____/

FINAL SUMMARY JUDGMENT

(Filed Jun. 20, 2001)

THIS CAUSE is before the Court upon its March 2, 2000 Order entitled *Final Order of Summary Judgment for Defendants*, and its Order entered separately today, entitled in part *Order Amending Order of March 2, 2000*.

Accordingly, it is **ORDERED AND ADJUDGED** that summary final judgment is hereby entered, *nunc pro tunc* to March 2, 2000, on behalf of all Defendants as to all counts of Plaintiffs' amended complaint, and against the Plaintiffs, and Plaintiffs shall take nothing by this action.

DONE AND ORDERED in Chambers at Fort Lauderdale, Broward County, Florida, this 20 day of June, 2001.

/s/ William P. Dimitrouleas
WILLIAM P. DIMITROULEAS
United States District Judge

Copies furnished to:

Richard Ross, Esq. (via fax to 954-252-9192)
Stefan V. Stein, Esq. (via fax to 813-229-0134)

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 97-7014-CIV-
DIMITROULEAS

STATE CONTRACTING &
ENGINEERING CORP.
and STATE PAVING
CORP.,
Plaintiffs,

vs.

STATE OF FLORIDA,
DEPARTMENT OF
TRANSPORTATION, et al.

Defendants.
_____/

ORDER AMENDING ORDER OF MARCH 2, 2000 and ORDER GRANTING MOTION FOR CERTIFICATION

(Filed June 20, 2001)

THIS CAUSE is before the Court upon Plantiffs' Emergency Motion/Request for Certification of Final Order of Summary Judgment for Defendants Pursuant to Rule 54(b) [DE 224] and Defendants' Response thereto. The Court has carefully considered the motion and is otherwise fully advised in the premises.

Plaintiffs seek certification from this Court that the Order this Court entered on March 2, 2000, entitled *Final Order of Summary Judgment for Defendants*, due to an inquiry from the Federal Circuit Court of Appeal about whether the "Final Order" was in fact a final, appealable

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order, since the March 2, 2000 Order did not address Defendants' counterclaims. Plaintiff seeks either a certification under Rule 54(b) of the Federal Rules of Civil Procedure from this Court that there is no just reason for delay and expressly direct the entry of judgment for Defendants to allow appellate jurisdiction over their appeal of the March 2, 2000 Order. In the alternative, Plaintiff seeks this Court to deem the Defendants' counterclaims moot. Defendants respond that their interpretation has been that the March 2, 2000 Order implicitly determined the counterclaims as moot, and they would not oppose an amendment to the March 2, 2000 Order deeming the counterclaims moot, and dismissed without prejudice. Alternatively, Defendants do not oppose a Rule 54(b) certification.

Upon a review of the record, particularly the reasoning behind this Court's grant of summary judgment to Defendants in the March 2, 2000 Order, this Court concludes that it intended to dismiss the Defendant's counterclaims as moot, and without prejudice, but failed to specifically do so in the March 2, 2000 Order. In addition, in an abundance of caution, the Court also concludes that a certification should issue under Rule 54(b) since there is no just reason to for delay of Plaintiffs' appeal of the March 2, 2000 Order as to Plaintiffs' claims, as final judgment was granted to Defendants on all of the Plaintiffs' claims in Plaintiffs' Amended Complaint.[1]

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[1] The Court notes that its March 2, 2000 Order specifically stated that: "Summary final judgment is hereby entered on behalf of all Defendants as to all counts of the amended complaint, and against Plaintiffs, and Plaintiffs shall take nothing by this action." See DE 90 at page 14.

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Accordingly, it is **ORDERED AND ADJUDGED** as follows:

1. Plaintiffs' Emergency Motion/Request for Certification of Final Order of Summary Judgment for Defendants Pursuant to Rule 54(b) [DE 224] is hereby **GRANTED**. There is no just reason for delay of the appeal of the March 2, 2000 Order, and the Court intended the March 2, 2000 Order to be final as to all of Plaintiffs' claims;

2. Final judgment shall be separately entered by this Court, *nunc pro tunc* to March 2, 2000, on behalf of Defendants, and against Plaintiffs, on all claims of Plaintiffs' Amended Complaint, pursuant to the reasons expressed in this Court's March 2, 2000 Order;

3. This Court's March 2, 2000 Order shall be amended to add numbered paragraph 12 on page 14, stating: "Defendants' counterclaims in this case are hereby **DISMISSED** as moot, without prejudice, and may be reinstated in the event the Federal Circuit Court of Appeals reverses or remands this case back to this Court.

DONE AND ORDERED in Chambers at Fort Lauderdale, Broward County, Florida, this 20 day of June, 2001.

/s/ William P. Dimitrouleas
WILLIAM P. DIMITROULEAS
United States District Judge

Copies furnished to:

Richard Ross, Esq. (via fax to 954-252-9192)
Stefan V. Stein, Esq. (via fax to 819-229-6134)

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

00-1434

STATE CONTRACTING &
ENGINEERING CORPORATION
and STATE PAVING CORPORATION,

Plaintiffs-Appellants,

v.

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Defendants-Appellees.

Judgment

ON APPEAL from the United States District Court for the Southern District of Florida

in CASE NO(S). *97-CV-7014*

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

AFFIRMED-IN-PART, VACATED-IN-PART, and REMANDED

ENTERED BY ORDER OF
THE COURT

/s/ Jan Horbaly
Jan Horbaly, Clerk

DATED Jul. 20, 2001

ISSUED AS A MANDATE: SEPTEMBER 13, 2001

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

00-1434

STATE CONTRACTING &
ENGINEERING CORPORATION
and STATE PAVING CORPORATION,

Plaintiffs-Appellants,

v.

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Defendants-Appellees.

ORDER

United States Court of Appeals
for the Federal Circuit

ORDER

(Filed Sep. 6, 2001)

A combined petition for panel rehearing and for rehearing en banc having been filed by the APPELLEES, and a response thereto having been invited by the court and filed by the APPELLANTS, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on September 13, 2001.

FOR THE COURT,

/s/ Jan Horbaly
Jan Horbaly
Clerk

Dated: September 6, 2001

cc: Richard S. Ross
Stefan V. Stein
STATE CONTRACTING V FLORIDA, 00-1434
(DCT-97-cv-7014)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

48 C.F.R. § 252.227-7013(a)(15)

Unlimited rights **means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.**

Supreme Court, U.S.
FILED
JAN 7 2002
CLERK

(2)

No. 01-852

IN THE

Supreme Court of the United States

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Petitioners,

v.

STATE CONTRACTING & ENGINEERING CORPORATION and STATE PAVING CORPORATION,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Petitioners mislead this Court by phrasing their "Question Presented" to facts not applicable to this case. Petitioners concede at page 2 of their Petition for Writ of Certiorari that the real issue in this case is whether the right to "utilize *data* convey[s] a patent license?" (Emphasis Supplied).

The true question presented is limited to: *Whether a grant of rights to "use, duplicate or disclose . . . data" is sufficient to convey a patent license, pursuant to a written contract between the parties.*

STATEMENT PURSUANT TO RULE 29.6

Neither Respondent, State Contracting and Engineering Corporation nor State Paving Corporation, has a parent company and no publicly owned company owns 10% or more of the stock of either corporation.

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INTRODUCTION

Contrary to the assertions of the Petitioners, the decision of the Federal Circuit Court of Appeals ("Federal Circuit") does not require any "magic words" or that the word "patent" be used in order to convey a patent license. The Federal Circuit held that in *this case*, the language of the contract drafted by Petitioner Florida Department of Transportation ("FDOT") conveyed no license to patent rights pursuant to Florida contract law.

Petitioners claim at page 2 of their Petition for Writ of Certiorari that the Federal Circuit committed reversible error by "exposing" FDOT to a sixty-five million dollar patent infringement claim in a decision which "ha[s] significance well beyond the parties to this case." Respondents dispute these contentions. First, Petitioner FDOT is no longer a party to this action because the Federal Circuit affirmed the United States District Court's entry of Summary Judgment of dismissal in favor of the State of Florida/FDOT based upon the claim of sovereign immunity. Consequently, FDOT can suffer no patent infringement liability in this case. Second, the subject contract does not incorporate 48 C.F.R. § 252.227-7013(a)(15) relied upon by the Petitioners in support of their "federalized" introduction. This FAR regulation is factually distinguishable from the contract language interpreted by the Federal Circuit; it has no applicability to this case.

STATEMENT OF THE CASE AND FACTS

It is important for this Court to note that Respondents State Contracting & Engineering Corporation and State Paving Corporation (collectively "State Contracting") and FDOT entered into the subject Value Engineering Change

Proposal supplemental written construction contract in 1990 ("VECP Agreement"). The terms of that agreement, specifically Section 4-3.5.8 of FDOT's Standard Specification of Road and Bridge Construction, 1986 ed. ("Standard Specifications"), were unilaterally modified by FDOT in 1992. Accordingly, that section of the VECP Agreement which was interpreted by the Federal Circuit has not been used by FDOT since 1992. Petitioners failed to provide this proper time line in their statement.

State Contracting takes issue with the Petitioners' mischaracterization, i.e. "all rights to fully utilize [the] 'proposal'," and emphasis, of Section 4-3.5.8. That section, recited below, speaks for itself. State Contracting adds to the Petitioners' statement that while it did not advise FDOT of its patent application filing during the VECP approval process, it had no obligation, contractual or otherwise, to do so. *See State Contracting & Engineering Corp. v. Florida Department of Transportation*, 258 F.3d 1329, 1340 (Fed. Cir. 2001). State Contracting further adds to the Petitioners' statement that it did not advise potential bidders of the pending patent application until September 1992 at which time it first learned that the United States Patent and Trademark Office would allow the first of the two patents to issue.[1] Finally, State Contracting disagrees entirely with the Petitioners' perception that the Federal Circuit "relied heavily" on *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979) and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), and that it "gleaned" from these cases that FDOT could protect itself from patent infringement liability "only by a specific reference to patents."

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1. The first patent did not issue until 1993.

REASONS FOR DENYING THE WRIT

The Federal Circuit was correct when it opined that a grant of rights to *data* was not sufficient to create an unrestricted patent license, pursuant to a written contract between the parties which stated, in pertinent part:

> In the event of acceptance of a VECP, the Contractor hereby grants to the Department all rights to use, duplicate or disclose, in whole or in part, in any manner and for any purposes whatsoever, and to have or to permit others to do so data and reasonably necessary to fully utilize such proposal on this and any other Department contract.

Standard Specifications § 4-3.5.8. The sole question before this Court is whether the Federal Circuit erred in interpreting the above contract provision. The Federal Circuit, in a carefully worded decision, concluded that the aforementioned language conveyed rights to use data, and that said language did not grant any license of patent rights.

The Petition should be denied because the limited grant of data rights conveyed in the VECP Agreement does not rise to the level of a patent license. The Federal Circuit correctly applied Florida contract law in interpreting the subject contract. *See McCoy v. Mitsuboshi Cutlery, Inc.*, 67 F.3d 917, 920, 36 U.S.P.Q. 1289, 1291 (Fed. Cir. 1995). It neither struggled with *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 99 S. Ct. 1096, 59 L. Ed. 2d (1979) or *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 94 S. Ct. 1879, 40 L. Ed. 2d 315 (1974), nor interpreted those cases to require the use of the term "patent" to convey a patent license. Rather,

the Federal Circuit simply noted that Supreme Court precedent recognizes a distinction between patent rights and trade secret rights. Petitioners refuse to acknowledge the restrictive term "data" in the VECP Agreement. This word limits the scope of the VECP Agreement grant. Petitioners want to extend the definition of "data" to include patent rights, however, the Federal Circuit correctly held that "data" *does not* mean "patent."

The Federal Circuit concluded that the VECP Agreement: (1) did not convey to FDOT the right to manufacture the sound barriers using plaintiffs' design or manufacturing method; (2) did not require State Contracting to surrender its rights to the technology; (3) did not bar State Contracting from securing a patent on the invention; and (4) did not explicitly convey patent rights. *State Contracting & Engineering Corp.*, 258 F.3d at 1339-40. The Federal Circuit followed that FDOT's failure to provide for the licensing of patent rights in the VECP Agreement was a "glaring omission," given that the parties contemplated the existence of relevant patents. The Federal Circuit interpreted Florida contract law and Sections 4-3.5.8 and 7-3 of the Standard Specifications, and concluded that the parties did not intend to convey patent rights.[2]

Contrary to Petitioners' accusations, the Federal Circuit did *not* state that "magic words" are needed to convey a patent license. The Court merely gave the logical and practical meaning to the language contained in the VECP Agreement and ruled against the private contractor Petitioners.

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2. The Federal Circuit's decision was unanimous. The Petitioners' combined Petition for Panel Rehearing and Petition for Rehearing *en banc* was denied on September 6, 2001.

This case does not present facts similar to those citations relied upon by the Petitioners. For example, in *Amp, Inc. v. United States*, 389 F.2d 448, 156 U.S.P.Q. 647 (Ct. Cl. 1968), there were express clauses in the subject contract pertaining to patents.[3]

Next, petitioners cite *Wang Laboratories, Inc. v. Mitsubishi Electronics America, Inc.*, 103 F.3d 1571, 41 U.S.P.Q.2d 1263 (Fed. Cir. 1997). The *Wang* court was faced with the question of an *implied license*. In *Wang*, the court implied a patent license based upon the conduct of the plaintiff who encouraged the defendant to manufacture the subject patented devices so that the plaintiff could receive an economic advantage in the purchase of those devices. *Wang* did not involve any expressed contract rights, did not involve a VECP agreement, and did not involve the 1990 VECP Agreement. Unlike *Wang*, the Petitioners cannot assert that State Contracting's conduct created an impression that State Contracting consented to FDOT making, using, or selling State Contracting's patented sound wall structures. *See Wang Laboratories, Inc. v. Mitsubishi Electronics America, Inc.*, 103 F.3d at 1579. To the contrary, the competing contractor Petitioners and, through them, FDOT, received notice from State Contracting seeking to enforce its patent rights continuously since 1992.

In *Cardiovascular Diagnostics, Inc. v. Hoehringer Mannheim Corporation*, 985 F. Supp. 615 (E.D.N.C. 1997),

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3. The *Amp* case turns on "Article 38 **Patent Rights**" of the contract therein in which the "Subject Invention" "means any invention, improvement or discovery **(whether or not patentable)**." *Amp, Inc. v. United States*, 389 F.2d at 450 (Emphasis Supplied). It cannot reasonably be disputed that patent rights in the *Amp* contract were a condition of the basis of its bargain.

the license at issue granted the right to use technology with "no limitation on the **manufacture, use, sale** or rights of others to **manufacture, use or sell**. . . ." *Id.* at 617 (Emphasis Supplied). Rights to "manufacture, use or sell" are those patent rights granted under 35 U.S.C. § 154. In the present VECP Agreement, the Federal Circuit expressly recognized the absence of a "right to manufacture" in Standard Specifications § 4-3.5.8. *State Contracting & Engineering Corp.*, 258 F.3d at 1339. Simply put, Petitioners are merely trying to expand the scope of the contract language Petitioner FDOT drafted beyond its logical and clear meaning.

Likewise, in *Joanell Laboratories, Inc. v. United States*, 1979 WL 16468 (Ct. Cl. 1979), the issue presented was not whether "data" included patent rights. The terms of the *Joanell* contracts and the present VECP Agreement are so different that *Joanell* has no applicability to this case. The *Joanell* agreements had an explicit "definition" section for rights in data which is not present in the subject VECP Agreement. The *Joanell* contracts defined, and distinguished, "limited rights" to data and "unlimited rights." There is no such distinction in the present contract.

And while several other cases cited by the Petitioners are equally inapplicable to the present issue, two cases they cite actually support the Federal Circuit's opinion that data are separate and distinct property from any patent issuing on those data. *See, e.g., Ofria v. Commissioner of Internal Revenue*, 77 T.C. 524, 539 (1981) (unpatented data incorporated in value engineering proposal represent valuable property separate from a patent on the data and are taxable as unpatented technology under § 1221 of the IRS Code, and not as a patented property under § 1235); *Rockwell International Corp. v. United States*, 31 Fed. Cl. 70, 80 (1994) ("patent license" and "data license" are two distinct licenses).

Petitioners' reliance on Federal Acquisition Regulation 48 C.F.R. § 252.227-7013(a)(15) and the parade of horribles *vis-a-vis* FDOT's "sixty-five million dollar patent infringement" liability[4] is unfounded. As a matter of fact, the precise language of 48 C.F.R. § 252.227-7013(a)(15) serves as further justification for denying the Petitioners' Writ. That language is clearly distinguishable from the language in the VECP Agreement. The subject federal acquisition regulation entitled "Unlimited Rights" is not a component of the present VECP Agreement. Section 4-3.5.8 does not provide for "unlimited rights."[5] Rather, the rights are limited to the use, duplication or disclosure of *data*, a restriction which Petitioners try to forget. Moreover, the VECP Agreement at issue was executed between FDOT and State Contracting in 1990. Original Section 4-3.5.8 at issue here was unilaterally modified by FDOT in 1992 and it has not been used since. Accordingly, the Petition does not present a "federal" issue of ongoing potential liability for patent infringement. The VECP Agreement at issue is unique to FDOT and State Contracting, and to no other entity.

This Court should not step in and reinterpret the contract clause, and extend it beyond its terms. The Federal Circuit correctly concluded that the VECP Agreement provides a right to data only. The contract comprising more than one-thousand pages was prepared and drafted entirely by Petitioner FDOT. The common law rule that a contract will be construed against the drafter applies to the facts of this case. *See Mastrobuono v.*

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4. The Federal Circuit's decision affirming FDOT's sovereign immunity begs the question how FDOT will be liable at all in this case for patent infringement.

5. 48 C.F.R. § 252.227-7013(a)(15) grants, among other rights, rights to "reproduce" and to "perform" which are rights not granted in Section 4-3.5.8 of the parties' VECP Agreement.

Shearson, Lehman, 514 U.S. 52, 62 (1995). Any contrary ruling would extend the scope of the VECP Agreement beyond its plain and ordinary terms.

CONCLUSION

The Federal Circuit properly applied Florida contract law in construing the VECP Agreement. That contract does not convey a license to State Contracting's patents, in words or substance. Petitioners are improperly attempting to extend the terms of the contract beyond its logical terms. The appellate ruling does not impact any federal regulation, but rather is specific to the 1990 VECP Agreement at issue in this case. Only these parties are affected by the Federal Circuit's opinion. The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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(3)

Supreme Court, U.S.
FILED
JAN 22 2002
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No. 01-852

In The

Supreme Court of the United States

STATE OF FLORIDA, FLORIDA DEPARTMENT OF TRANSPORTATION, RECCHI AMERICA, INC., THE MURPHY CONSTRUCTION COMPANY, THE HARDAWAY COMPANY, HUBBARD CONSTRUCTION COMPANY, BALFOUR BEATTY CONSTRUCTION, INC., COMMUNITY ASPHALT CORPORATION, and JOELSON CONCRETE PIPE COMPANY, INC.,

Petitioners,

v.

STATE CONTRACTING & ENGINEERING CORPORATION and STATE PAVING CORPORATION,

Respondents.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY TO BRIEF IN OPPOSITION

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28 C.F.R. Section 627.5 2

48 C.F.R. Section 252.227-7013(a)(15) 1, 2, 3, 4

Section 1221, IRS Code 3

Section 1235, IRS Code 3

ARGUMENT IN REPLY

This case is worthy of this Court's attention. First, Petitioners, including the State of Florida, face a $65,000,000 liability as a result of the Federal Circuit's reversal of the district court. State Paving's suggestion that the State of Florida has no further interest in this case is grossly misleading. As State Paving well knows, even though FDOT prevailed on its sovereign immunity claims, it still has the ultimate exposure in this case because of its contractual obligation to indemnify the subcontractors against any liability to State Paving. Moreover, FDOT is also being sued by State Paving in a parallel state court "takings" claim brought under the authority of *Jacobs Wind Elec. Co. v. Florida Dept. of Transp.*, 919 F.2d 726 (Fed. Cir. 1990). *See State Contracting & Engineering Corp. v. State of Florida, Florida Dept. of Transp.*, Case No. 98006566 (17th Cir. Broward County, FL). This "takings" claim is based on the same claim of patent infringement at issue in this case.

State Paving next attempts to argue that the decision has no significance beyond the parties to this case. As pointed out in the Petition, the VECP provisions appearing in FDOT's standard specifications for road and bridge construction are commonplace in state and federal contracting. *See* Petition at 13-14 (citing cases where similar language appears). This is because FDOT's standard VECP specifications are based largely on government procurement regulations concerning the federal government's right to utilize data developed by contractors performing government projects. *See, e.g.*, 48 C.F.R. Section

252.227-7013(a)(15). Many states utilize this language in their standard contracts.[1]

The best State Paving can do in this regard is to suggest that the language in Section 252.227-7013(a)(15) is distinguishable from the language utilized by FDOT in its VECP contracts. A direct comparison of the federal regulation and FDOT's contract provision demonstrates the fallacy in this argument. 48 C.F.R. Section 252.227-7013(a)(15) provides:

> *Unlimited rights* means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

The provision at issue in FDOT's standard specifications is substantively identical:

> In the event of acceptance of a VECP, the contractor hereby grants to the department all rights to use, duplicate or disclose, in whole or

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[1] The contract language used by FDOT was taken from the U.S. Department of Transportation's "Standard Specifications for Construction of Roads and Bridges on Federal Highway Projects" at Section 103.03 ("Value Engineering") *available at* http://www.wfl.fha.dot.gov/design/specs/Metric/Fp96___Met.pdf. Federal regulations require states to adopt value engineering programs for all federal-aid highway projects. 28 C.F.R. § 627.5. Attached to this Reply Brief is a survey of websites published by state transportation agencies that use contract language identical or similar to that adopted by FDOT. Each of these states, and perhaps others, are now exposed to patent infringement liability as a result of the Federal Circuit's decision. *See* Addendum, "Survey of State Transportation Agency Websites."

> in part, in any manner and for any purpose whatsoever, and to have or to permit others to do so data reasonably necessary to fully utilize such proposal on this and any other department contract.

VECP Section 4-3.5.8

State Paving offers no argument in support of the purported distinction between the two clauses. Nor could it. Both the regulation and FDOT's statutory provision convey the rights to use, duplicate,[2] or disclose data for any purpose whatsoever. As discussed in the petition, this language is broad enough to convey a license in any intellectual property interest the grantor may have in the technical data. *See Ofria v. Commissioner of Internal Revenue*, 77 T.C. 524, 538 (1981).[3] *See also Rockwell International Corp. v. United States*, 31 Fed. Claims 70, 80 (1994) (finding that "unlimited rights in data would permit the government to do essentially anything it wanted with the information including dissemination of it to third parties, use for reproduction, etc.").

Until the Federal Circuit decision below, no court had held that the broad language appearing in Section

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[2] FDOT uses the word "duplicate" while Section 252.227-7013(a)(15) uses the word "reproduce."

[3] State Paving attempts to make much of the fact that the tax court found the intellectual property at issue to be taxable as unpatented technology under Section 1221 of the IRS Code instead of patented property under Section 1235. The point of the *Ofria* case is that the language at issue transferred any and all intellectual property rights. The property was taxable as unpatented technology solely because the court found that the property was unpatentable. *Ofria*, 77 T.C. at 539.

252.227-7013(a)(15) was not sufficient to convey a license in all intellectual property rights including patent rights. With the Federal Circuit's decision, the landscape has changed dramatically. As discussed in the Petition, absent intervention by this Court, the federal government and the states may face untold liability for heretofore unanticipated patent claims.

The Federal Circuit's Decision Improperly Imposes Federal Limits On State Contract Law

This case is not a mere matter of contract interpretation. Although Florida contract law applies to patent licenses, the Federal Circuit did not cite a single Florida case in the relevant portion of its opinion. This omission is no accident. There is no Florida case standing for the proposition that "all rights" means all intellectual property rights except for patent rights.

Instead, misreading *Aronson*[4] and *Kewanee Oil*,[5] the Federal Circuit put a distinctly federal gloss on what should have been a routine state court contract decision. Petitioners lost because its VECP provision did not use the word "patent" despite the otherwise all-inclusive language. As the Federal Circuit observed: "most significantly the section did not explicitly convey any patent rights . . . " (App. 19).

Whether federal law limits the definition of "all rights" by requiring a specific reference to a patent to convey a patent license is an important question with

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[4] *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 266 (1979).

[5] *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 493 (1974).

enormous ramifications in state and federal government contracting. This Court should grant certiorari to review the decision of the Federal Circuit and to address the important issue presented.

Respectfully submitted,

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ADDENDUM

SURVEY OF STATE TRANSPORTATION AGENCY WEBSITES

ALABAMA § 104.08(b)(5) (" . . . The Department shall have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department retains the right to utilize any accepted proposal or part thereof on any other or subsequent projects without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.dot.state.al.us/Bureau/Construction/Spec2001/Spec_Book_Frames.html.

ALASKA § 104-1.06(3)(b) (" . . . The Department will have the right to use, duplicate, and disclose any data necessary for the utilization of the proposal on this or other projects without obligation to the Contractor unless the Contractor identifies certain parts of the proposal as Restricted Use. This provision is intended to protect trade secrets, bidding and pricing methods, and rights provided by law with respect to patented designs, materials or processes.") *available at* http://dot.state.ak.us/.

CALIFORNIA § 5-1.14 ("The Department expressly reserves the right to adopt a cost reduction proposal for general use on contracts administered by the Department when it determines that the proposal is suitable for application to other contracts. . . . ") *available at* http://www.dot.ca.gov/hq/esc/oe/specifications/std_specs/1999_StdSpecs/99StdSpecs.pdf.

CONNECTICUT Specification (Value Engineering Incentive) – For Construction Contracts, Conditions (2): (" . . . The Department will have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department will have the right to utilize any accepted proposal or part thereof on any other or subsequent projects without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.dot.state.ct.us/BUREAU/eh/ehcn/road/ve.htm.

DISTRICT OF COLUMBIA § 104.03(F) (" . . . When this proposal is accepted by the Contracting Officer, the District shall have the right to duplicate, use, and disclose any data in any manner and for any purpose whatsoever, and have others do so whether under this or any other District Contract.") *available at* http://ddot.dc.gov/information/standards/index.shtm.

HAWAII § 105.19(7) (" . . . The Department shall not reveal, duplicate or use for purposes other than to evaluate the data in connection with a value engineering incentive proposal. This restriction does not limit the State's right to use this data if the data is available from another source. The Department has the right to use, reveal, permit others to use, duplicate and reveal the accepted VECP.") *available at* http://www.state.hi.us/dot/highways/specs94/specs/specspdf/105.pdf.

IOWA § 1105.15 ("The Contracting Authority reserves the right to adopt a Value Engineering Incentive Proposal for general use on contracts administered by the Contracting Authority when it determines that an incentive

proposal is suitable for application to other contracts. . . . Subject to the provisions contained herein, the State or any other public agency will have the right to use all or any part of any submitted incentive proposal without obligation or compensation of any kind to the Contractor.") *available at* http://www2.state.ia.us/dot/specifications/Oct_2001/01001/frames.htm.

KENTUCKY § 111.03.02 ("The Department's approval of a value engineering proposal voids any restrictions that the Contractor had imposed on the use or disclosure of the information that the Contractor included in the value engineering proposal, and the Department then has the right to use, duplicate, and disclose, in whole or in part, any data necessary to implement any portion of the proposal on this project and all other Department projects.") *available at* http://www.kytc.state.ky.us/construction/Spec2000/pdf/spec/division100.pdf.

LOUISIANA § 105.19(h) ("The Department reserves the right to adopt a VE Proposal for general use when it determines that said proposal is suitable for application to other contracts. . . . Subject to the provisions contained herein, the State or any other public agency shall have the right to use all or any part of any submitted VE Proposal without obligation or compensation of any kind to the contractor.") *available at* http://www2.dotd.state.la.us/highways/project_devel/contractspecs/Part_I.pdf.

MARYLAND § TC-2.03 ("The Administration expressly reserves the right to adopt a VECP for general use in Contracts administered by the Administration when it determines that the proposal is suitable for application to

other Contracts. . . . Subject to these provisions, the Administration or any other public agency will have the right to use all or part of any accepted VECP on other projects without obligation or compensation of any kind to the Contractor.") *available at* http://www.sha.state.md.us/ohd/hdd/specifications/Start.pdf.

MINNESOTA § 1408 ("Upon acceptance of a cost reduction proposal, any restrictions imposed by the Contractor on its use or disclosure of the information submitted shall be void, and the Department shall thereafter have the right to use, duplicate, and disclose in whole or in part any data necessary to use the proposal.") *available at* http://www.dot.state.mn.us/tecsup/spec/2d1/k1401.pdf.

MISSOURI § 104.6.9 ("The Commission expressly reserves the right to adopt a value engineering proposal for general use on contracts administered by the Commission if it determines that said proposal is suitable for application to other contracts. . . . ") *available at* http://www.modot.state.mo.us/design/specbook/spec.htm.

NEBRASKA § 104.03(8) ("The Department expressly reserves the right to adopt a VEP for general use in its contracts. . . . ") *available at* http://www.dor.state.ne.us/ref-man/specbookm/100/100-m40.pdf.

NEW HAMPSHIRE § 104.15(C)(1) ("VE proposals, approved or not approved by the Department, apply only to the ongoing Contract(s) referenced in the Proposal and become the property of the Department. The VE Proposal(s) shall contain no restrictions imposed by the Contractor on their use or disclosure. The Department has the right to use, duplicate and disclose in whole or in part any data necessary for the utilization of the VE Proposal.

The Department retains the right to utilize any accepted VE Proposal or part thereof on any other or subsequent projects without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://webster.state.nh.us/dot/specifications/specifications.htm.

NEW JERSEY § 104.11(4)(b) (" . . . The proposals shall become the property of the Department and shall contain no restrictions imposed by the Contractor on their use or disclosure. The Department will have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department retains the right to use any accepted proposal or part thereof on any other or subsequent project without any obligation to the Contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.state.nj.us/transportation/cpm/StandardSpecifications/MSPEC100.doc.

NEW YORK § 111-02(D)(1) (" . . . The Department will have the right to use, duplicate and disclose in whole or in part any data necessary for the utilization of the VECP. The Department retains the right to utilize any accepted VECP or part thereof on any other project without any obligation to the Contractor submitting the same.") *available at* http://www.dot.state.ny.us/specs/files/add1_100.pdf.

NORTH CAROLINA § 104-12 ("Upon execution of the Supplemental Agreement, the Department will thereafter have the right to use, duplicate or disclose in whole or in

part any data necessary for utilization of the modification on other projects without obligation or compensation of any kind to the Contractor. Restrictions or conditions imposed by the Contractor for use of the proposal on other projects shall not be valid.") *available at* http://www.doh.dot.state.nc.us/preconstruct/highway/dsn___srvc/specifications/dual/Division1.pdf.

NORTH DAKOTA § 104.08(F) (" . . . If the proposal is accepted, this restriction shall be void and the Department may use, duplicate, or disclose in whole or in part any data necessary to utilize the proposal.") *available at* http://www.state.nd.us/dot/docs/spec1tag.pdf.

OHIO Guidelines for Value Engineering Change Proposals, Proposal Process/Conditions (2) (" . . . All VECP proposals shall become the property of the Department and shall contain no restrictions imposed by the contractor on their use or disclosure. The Department will have the right to use, duplicate, and disclose in whole or in part any data necessary for the utilization of the proposal. The Department retains the right to use any accepted VECP or part thereof on any other or subsequent project without any obligation to the contractor. This provision is not intended to deny rights provided by law with respect to patented materials or processes.") *available at* http://www.dot.state.oh.us/construction/OCA/Specs/PN/Docs/104.pdf.

OREGON § 00140.70(f) ("Rights to General Use – The Department reserves the right to adopt a cost reduction proposal for general use on contracts when it determines

that a proposal is suitable for application to other contracts.") *available at* http://www.odot.state.or.us/techserv/roadway/specs/96book/PART0100.pdf.

PENNSYLVANIA § 104.04 (" . . . Except as specified, the Department, or any other public agency, will have the right to use all or any part of any submitted value engineering proposal, without obligation or compensation of any kind.") *available at* ftp://ftp.dot.state.pa.us/public/pdf/Pub408Change7/Section 100/Section 104.pdf.

SOUTH CAROLINA Supplemental Specifications, Value Engineering Proposal ("Upon execution of the Supplemental Agreement, the Department will thereafter have the right to use, duplicate or disclose in whole or in part any data necessary for utilization of the modification on other projects without obligation or compensation of any kind to the Contractor. Restrictions or conditions imposed by the Contractor for use of proposal on other projects shall not be valid.") *available at* http://www.dot.state.sc.us/new%20internet%20folder/new%20internet/doing/supspecs.html.

SOUTH DAKOTA § 4.7(C)(F) ("If the proposal is accepted this restriction will be void and the Department may use, duplicate, or disclose in whole or in part data necessary to utilize such proposal.") *available at* http://www.sddot.com/Operations/Specifications/specbook-_div1.htm.

TEXAS Special Provision to Item 4, Standard Specifications, Article 4.8.(4) (" . . . The Department expressly reserves the right to adopt a VECP for general use in other contracts administered by the Department when and if it determines that said proposal is suitable for

application on other contracts. . . . ") *available at* ftp://ftp.dot.state.tx.us/pub/txdot-info/cmd/cserve/specs/1995/prov/mp004003.pdf.

UTAH § 1.21(A)(1) (" . . . The Department may duplicate or disclose any data necessary to use the proposal. . . . The Department can apply a proposal for general use on other Contracts it administers. . . . The purpose of this provision is to ensure legal right with respect to patented materials or processes.") *available at* http://www.dot.state.ut.us/esd/specbook/CSIFiles/00725.wpd.

WEST VIRGINIA § 104.12 ("The Division expressly reserves the right to adopt a VEP for general use in contracts administered by the Division when it determines the VEP is suitable for application to other contracts without obligation or compensation of any kind to the Contractor.") *available at* http://www.wvdot.com/engineering/Specifications/2001/Y2KSpecB.pdf.